

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

FARMINGTON CITY CORPORATION
FARMINGTON, UTAH

Fiscal Year Ended
June 30, 2005

Mayor

David M. Connors

City Council

David S. Hale	Susan Holmes
Larry W. Haugen	Rick Dutson
Sid Young	

City Manager

Max Forbush

Finance Director

Keith Johnson

FARMINGTON CITY CORPORATION

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June 30, 2005

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INTRODUCTORY SECTION

Historic beginnings



David M. Connors
Mayor

MAX FORBUSH
City Manager

KEITH JOHNSON
Finance Director

MARGY L. LOMAX
Recorder

GLORIA B. ANDERSON
Treasurer

RICK DUTSON
DAVID S. HALE
LARRY W. HAUGEN
SUSAN TANNER HOLMES
SID YOUNG
Council Members

130 North Main
P. O. Box 160
Farmington, Utah 84025-0160
Telephone (801) 451-2383
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November 9, 2005

Honorable Mayor and Members of the City Council
and Citizens of Farmington City
Farmington City Corporation
130 N Main
Farmington UT 84025

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report (CAFR) for Farmington City, Utah, for the fiscal year ended June 30, 2005. This report is in compliance with state law that requires local government to publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement.

With the addition to the fund financial information, the government-wide financial statements which include the Statement of Net Assets, provide the total net assets of the City including all capital assets (including infrastructure) and the Statement of Activities shows the cost of providing governmental services.

This report is published to provide to the City's Governing Body, staff, citizens, the State of Utah, representatives of financial institutions, and other interested persons, detailed information concerning the financial condition of Farmington City. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with City management.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenue being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. The City's accounting records for utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition; and

2. The reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that;
 - (a) the cost of a control should not exceed the benefits likely to be derived; and
 - (b) the evaluation of costs and benefits requires estimates and judgements by management.

We believe the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Section 10-6-150 of the Utah Code Unannotated, and section III.D.01 of the State of Utah Uniform Accounting Manual require fourth class cities to prepare an annual financial report, and that an annual audit be conducted by an independent certified public accountant. The City has contracted with Ulrich and Associates, P.C., Certified Public Accountants to do the audit. The independent audit report is included in this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

This CAFR is organized into the following four main sections:

1. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials.
2. The financial section includes the Management's Discussion and Analysis, the independent auditor's report, general purpose financial statements, with the government wide financial statements, the combining and individual fund account group financial statements and other schedules. The Financial Section is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations as applicable.
3. The statistical section presents financial and demographic information to assist the financial statement reader in obtaining an understanding of the City's financial status, trends and socioeconomic culture.
4. The Other Reports section includes additional independent auditor's reports, as required by Government Audit Standards, and by the State of Utah.

Profile of Farmington City

Farmington City is a fourth class city (population between 10,000 and 30,000), operating under the Council-Mayor form of government, while delegating administrative functions and duties to a City Manager by ordinance. The City Council is comprised of five Council Members plus the Mayor. The City Council establishes policy and procedures pertaining to the overall governance of the City including general direction for the efficient administration, organization, operation, conduct, and business of the City. The City Council approves, adopts, and amends the budget. The City Manager

is appointed by the Mayor and the City Council. The City Manager is responsible for the daily management of the City.

The Mayor and Council members are elected to four-year terms. Every two years elections are held with terms overlapping which helps to facilitate the continuity of the City Council.

The Combined Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board. Based on these criteria no other governmental organizations are included in this report.

Major services provided by the City under General Government include the following,

General Government

- General Administration
- Policy Implementation
- Budgeting
- Accounting
- Investments
- Records Management
- Equipment and Vehicle Maintenance
- Buildings and Grounds Maintenance
- Purchasing

Community Development

- Planning and Zoning
- Protective Inspection

Public Safety

- Fire and Police Protection

Highways and Streets

- Street Improvements and Maintenance
- Storm Water Control & Maintenance
- Public Sidewalk

Parks and Cemetery

- Park and Cemetery Maintenance

The City maintains nine parks, which include eight picnic boweries, two tennis courts, soccer and baseball fields and state of the art playground equipment. These are all available for family gatherings, parties and events. The City maintains a trail system in the city and continues to acquire and develop more trails over time.

Major services provided under the Enterprise Fund include Culinary Water, Sanitary Sewer, Storm Drainage and Waste Collections services, Ambulance Service, and Leisure Service activities including youth sports and recreational activities and swimming pool activities.

"Historic Beginnings", as stated on the logo of Farmington City, refers to the early beginnings of the area which began in 1847 when the first settlers arrived. Just one month after the first Mormon pioneer settlers, under the leadership of Brigham Young, entered the Salt Lake Valley, a few families moved further north a short distance to settle the area now known as Farmington City. The settlement was originally called North Cottonwood.

As was the practice in other areas of the valley, the early settlers immediately put the many mountain streams to use by forming systems of irrigation (dams and canals) to water the fertile soil. Farming was the major livelihood of the community for many years with particular emphasis on orchards of apricot, cherry and peach trees.

The area of Farmington was eventually incorporated as a municipality on November 16, 1892, with a population of 1,180 and had grown to 12,801 by 2000 census data. Most of the growth has come in the last three decades. In 1970 the population of Farmington was 2500. Although most of the residents commute to work to Salt Lake City, Ogden, or nearby Hill Air Force Base, the community still enjoys a "rural atmosphere" and places significant emphasis on maintaining this element as part of its general plan goals.

Farmington is a regional center for local government. Farmington is the County seat of Davis County with the first courthouse being built in 1855. The Davis County School District is also headquartered here, which occupies most of block 10 in the City's downtown center.

The City has always tried to be progressive in implementing the newest conveniences for its residents. The first telephone was installed in 1896, the City's culinary water system in 1906 and electricity in 1908. The City continues to be progressive today by striving to be on the cutting edge of open space conservation and trail development.

Farmington City is located approximately 16 miles north of Salt Lake City and 20 miles south of Ogden along the western front of the Wasatch Mountains with the Great Salt Lake directly to the west. The City encompasses about 7.11 square miles. Farmington City is easily accessed by Interstate 15, and US Highway 89, that transverse through the City North to South, with a major junction between I-15 and US Highway 89 in the City. The Salt Lake International Airport can be reached in 20 minutes and Utah Transit Authority (UTA) provides daily mass transit service throughout the City and along the Wasatch Front. A new highway is projected to be built that will provide a new travel corridor through the south end of Davis County and into the Salt Lake metropolitan area. This new highway, called the "Legacy Highway", will junction with I-15 and US Highway 89 in Farmington and run south to the Salt Lake area. Commuter rail from Ogden to Salt Lake is to be completed sometime in 2008. Farmington will be one of the sites for a station along the route.

The City operates an integrated budgetary and accounting system which incorporates the adoption of a formal legal budget. The City Council adopts the annual budget prepared by the Department Heads, City Manager, and Finance Director. This is done by June 22 of each year. State statutes define the legal level of budgetary control at the department level. Expenditures should not exceed appropriations at that level. Financial reports are produced showing budget and actual expenditures, and are distributed monthly to each department head. If needed, the budget is reopened as required to consider necessary adjustments.

Economic Condition and Outlook

Farmington City has experienced a significant growth in population during the past several years. The population has risen from 9,028 in 1990 to 12,081 in 2000. This is a 34 % increase during those 10 years. Large residential developments are being constructed in the west area of Farmington, which could add another 1000 new building lots in the city. These have started to develop the past couple of years and building permits have increased because of them. In this past fiscal year the City issued 204 new residential building permits. The highest number of permits being issued was last year with 218. With these new residential developments, and the economic conditions staying favorable, it does not look like this trend will decrease significantly anytime soon. This significant increase in building permits has boosted overall revenues for the City, which is reflected in the financial statements.

With the City being the County seat, it has experienced new government facility construction and development such as the Davis County Fair ground facilities, the county jail and court complex and the Davis County School District Administration building (Richard E. Kimball Building). These facilities have helped to keep the downtown area alive and vibrant.

The retail tax base continues to be a major source of funding for the City. Sales tax revenues during last year increased as the economy grew. The increase came from the state wide collection of sales tax, as the City's direct sales decreased slightly. The old K-Mart store is under renovation for a new store to occupy the space with additional smaller tenants along the south side of the building. The end of the construction along U.S. 89 has made it more marketable and the Foxglove shopping center has seen an increase in use. A development of another grocery store and mixed use has been proposed just north of the Foxglove shopping center and would be a great addition of sales tax base for the City. Lagoon Corporation, the largest amusement park in the State had a slightly higher amount of sales and revenue than the couple of years before. The City has established a Redevelopment Agency and is hoping to develop more retail, office and commercial space around the new commuter rail station that will be open in 2008. With this mixed use development around the Park Lane area just west of the new U.S. 89 / I-15 interchange appears to be a favorable area for the City to increase it's tax base.

The long-term financial planning of the City has been to look for other sources of revenue other than just residential development. The unreserved general fund balance has increased the past couple of years and is above the 18% that is set by the state as the amount that the City should have. This has been mainly because the increase in building permit fees and the turn around in the economy as sales tax, franchise tax and property tax revenues have increased. This will help the City to keep up with the growth that is happening in the City and to provide the necessary services. This extra unreserved fund balance will be used in necessary capital projects, equipment and personnel to keep the City services at the expected levels for the future.

The City is finished putting together an economic development master plan and also revised the City general plan to reflect the commercial and mixed use areas that were designated from the economic master plan. Although the City is being aggressive in its master planning efforts, ultimately market forces will determine the areas' economic destiny.

The City continues to acquire right-of-way for public trails that will eventually connect hillside development along the East bench to the shores of the Great Salt Lake. Bridges and underpasses are being built to permit those using the trails to transverse the City from one side to the other without crossing major streets.

The City has finished about 1 million dollars worth of flood mitigation projects. This will be paid for by the storm drainage utility fee that was established. These projects will alleviate a lot of the storm water problems that existed in the city.

The City was able to bond to have the basement finished in the new community center and it will be finished this fall.

A special improvement district that was started last year for the construction of a new street, street lights in some areas of the city and curb and gutter in certain areas was completed. The final assessments ordinance will be passed in July with the prepayment period ending the end of July. The final bonding will be done in August.

The City continued planning the construction of west State Street reconstruction for this next year. Also continued with the engineering of the trail underpass on 400 West to be done in the next year or two.

Awards and Acknowledgments

The City has received the Certificate of Achievement for Excellence in Financial Reporting for the past 4 years.

The preparation of the comprehensive annual financial report was made possible with the dedicated service of the staff of Farmington City. I convey my thanks and sincere appreciation to each of them. I also wish to express appreciation to Charles and Mike Ulrich, the City's auditor's and their staff, for conducting the independent audit and providing assistance in a very professional manner.

In closing, I express appreciation to Mayor Connors and members of the City Council for their sincere interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner. I also thank Max Forbush, City Manager, and capable city staff who are dedicated and go the extra mile in providing quality and conscientious service to this community. Farmington's elected, appointed and employed City officials are confident, optimistic and excited about the future of their community, and will continue to devote whatever time and effort is needed to keep Farmington a choice place in which to live.

Sincerely,



Keith Johnson,
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Farmington City Corporation,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enos

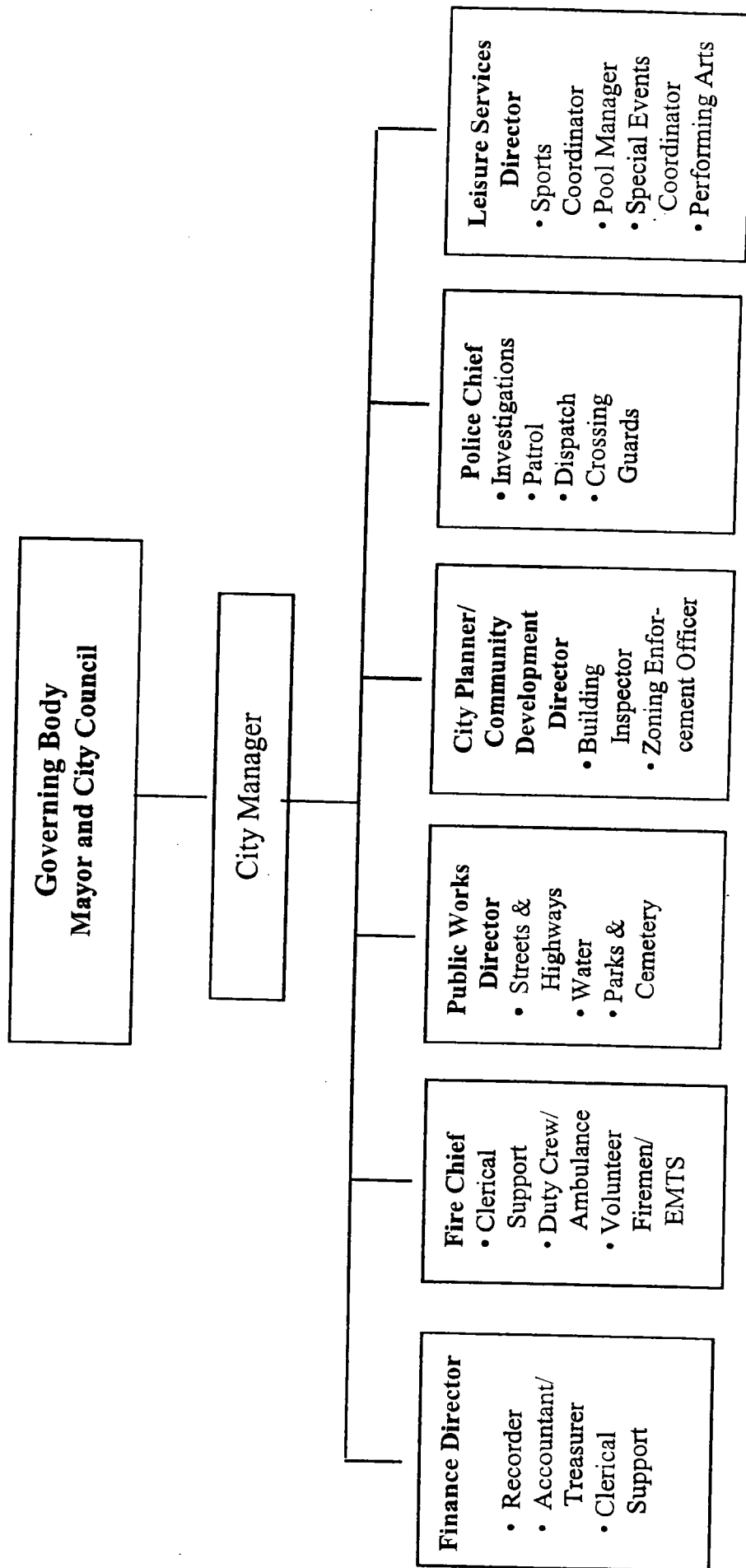
Executive Director

Farmington City Officials

June 30, 2005

Mayor	David Connors
Council Members	Rick Dutson David S. Hale Larry W. Haugen Susan Holmes Sid Young
City Manager	Max Forbush
Recorder	Margy L. Lomax
Treasurer	Gloria Anderson
Finance Director	Keith Johnson
Planning Director	David E. Petersen
Leisure Service Director	Viola Kinney
Public Works Director	Walt Hokanson
Building Inspector	Eric Miller
Police Chief	Wayne Hansen
Fire Chief	Larry Gregory

Farmington City Organizational Chart



FINANCIAL SECTION

Ulrich & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
Farmington City Corporation

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Farmington City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2005 on our consideration of Farmington City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Members of Utah Association of CPAs / American Institute of CPAs

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Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Farmington City Corporation's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ulrich & Associates, P.C.

November 9, 2005

Management's Discussion and Analysis

This report offers readers of Farmington City's financial statements a narrative overview and analysis from management's perspective of the financial activities of Farmington City for the fiscal year ended June 30, 2005. Readers should consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

Financial Highlights

The assets of Farmington City exceeded its liabilities at the close of the most recent fiscal year by \$46,861,479. Of this amount, \$8,312,163 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. This is a decrease in unrestricted assets of \$33,850, but an overall increase of \$861,769 from last year. Governmental activities increased by \$148,651, and Business-type activities increased by \$713,118.

As of the close of the current fiscal year, Farmington City's governmental funds reported combined ending fund balance of \$3,115,095. This is an increase in fund balance from the previous year of \$150,196. This increase is due mainly from the Park Fund, which was increased as debt was issued for the community center basement project and impact fees that were received. Approximately all of the balance is available for spending at the City's discretion, as there are not any of these funds in reserve.

The City's total debt decreased by \$357,486 during the current fiscal year. The City did issue \$1,747,000 in new revenue bonds, which \$654,000 was to refinance road excise tax bond, and \$246,935 in capital lease of the water fund. The rest was for the community center basement, refurbishing the museum and \$377,160 for the reconstruction of the intersection at Park Lane and 1100 W. Even with the issuance of new debt, the overall debt of the City decreased with the normal debt payments and also the City was able to pay off early some of the capital lease debt that was outstanding.

Overview of Financial Statements

This discussion and analysis portion of the audit report serves as an introduction to Farmington City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This portion of the audit report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Farmington City's finances, in a format similar to what is provided by private-sector businesses.

The statement of net assets presents information pertaining to all of Farmington City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may be useful by indicating whether the financial position of Farmington City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes to net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for events that may result in cash flows in future fiscal periods.

The City's financial statements are distinguished by two different functions. First, governmental activities are those principally supported by taxes and intergovernmental revenues. Second, City business-type activities are those that recover all or a significant portion of their costs through user fees and charges. The governmental activities of Farmington City include general government, public safety, highways and streets, economic development, parks and recreation. The business-type activities of the City include providing water, sewer, storm drainage, garbage, ambulance, and leisure services.

Fund financial statements. A fund is defined as a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. Farmington City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of Farmington City are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Farmington City maintains thirteen (13) individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, RDA fund, MBA fund, and park improvement fund. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Farmington City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Farmington City uses enterprise funds to account for water, sewer, garbage

collection, storm drainage, ambulance and leisure services. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, which are shown as major funds of the City.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Farmington City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Farmington City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of Farmington City, net assets increased by \$861,769 from prior year. The main increase was in the business-type activities of \$713,118.

By far the largest portion of the Farmington City's net assets is \$38,513,065 in capital assets net of related debt. This reflects its investment in land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. Farmington City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although Farmington City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At the end of the current fiscal year, the City is able to report positive balances in net assets, for total government activities and for the separate governmental and business-type activities.

The overall assets of the City increased and the liabilities decreased from the prior year, with most of the increase coming in the capital assets of the City. Having total liabilities decrease shows the willingness of the City to make sure that liabilities are kept in check and that should bolster the overall financial strength of the City.

Net Assets
June 30, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	7,560,144	7,500,488	2,195,862	2,637,968	9,756,006	10,138,456
Capital assets	34,667,637	34,580,003	14,376,773	13,632,353	49,044,410	48,212,356
Total assets	42,227,781	42,080,491	16,572,635	16,270,321	58,800,416	58,350,812
Other liabilities	1,746,816	1,370,696	448,483	600,801	2,195,299	1,971,497
Long-term liabilities outstanding	8,135,704	8,513,185	1,607,934	1,866,420	9,743,638	10,379,605
Total liabilities	9,882,520	9,883,881	2,056,417	2,467,221	11,938,937	12,351,102
Net assets:						
Invested in capital assets, net of related debt	25,744,226	25,557,593	12,768,839	11,887,200	38,513,065	37,444,793
Restricted	-	172,653	36,251	36,251	36,251	208,904
Unrestricted	6,601,035	6,466,364	1,711,128	1,879,649	8,312,163	8,346,013
Total net assets	32,345,261	32,196,610	14,516,218	13,803,100	46,861,479	45,999,710

Governmental activities. Governmental activities are reflected in the government-wide activities statement. The governmental activities had an increase in net assets of \$148,651.

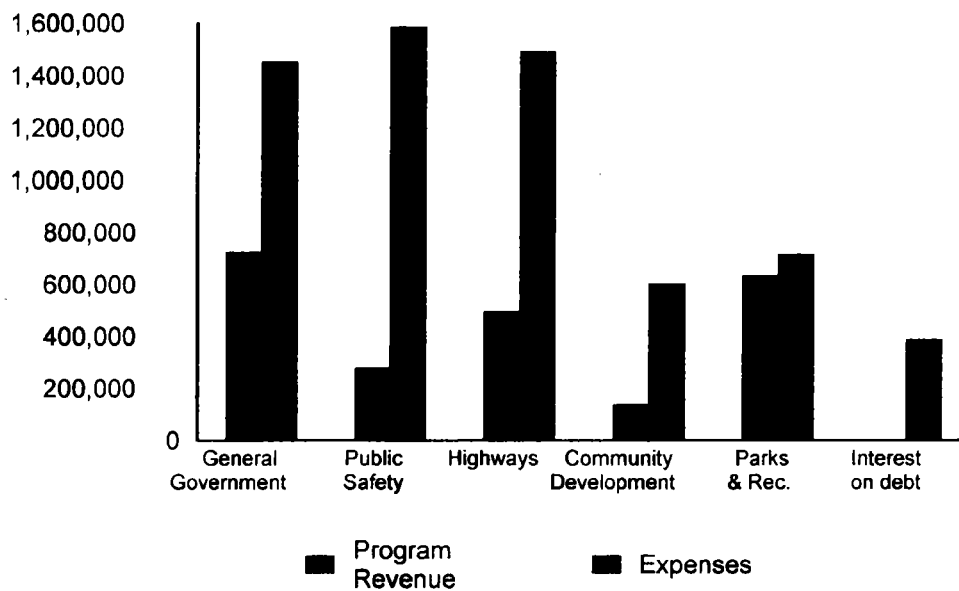
Taxes are the main source of revenue, with property taxes accounting for about 47 % of the total taxes and over 29% of the total revenue. Property taxes increased as new developments and property are being assessed. Franchise taxes saw an increase as the development of new homes continue to be at a high pace. Charges for services increased as building permit fees and impact fees increased with the continuing development that is going on in the City. Capital grants and contributions decreased significantly as not as many subdivisions were finished this year, so as to have a lot less street right of ways and all other improvements dedicated to the City.

The greatest change in expenditures occurred in the general government and highways and public works. This was mainly due to additional personnel and increases in these departments. All other expense categories increased somewhat as personnel were added and costs continue to rise.

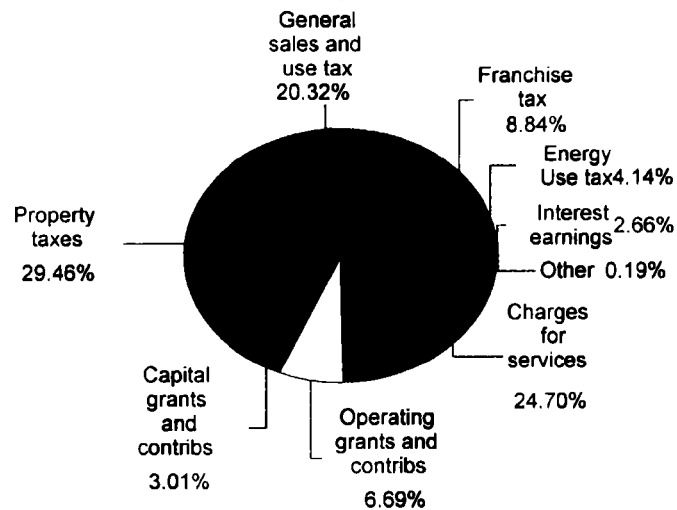
Business-type activities. Business-type activities increased the City's net assets by \$713,118, which is almost a 5% growth in net assets. Total revenues did decrease from the prior year, which was mainly due to less subdivisions dedicating the water, and storm sewer lines over to the City. Even with the decrease, charges for services increased to cover the increase in expenses.

The majority of revenues in business-type activities is in charges for services with around 96 % of the total revenues. This is an increase over last year. The actual amount increased from \$3,593,411 to \$4,091,299. The capital grants and contributions decreased as a lot less new developments were finalized. This caused the percentage of the charges for services to increase significantly.

Expenses and Program Revenues Governmental Activities



Revenue By Source Governmental Activities



Changes in Net Assets

June 30, 2005

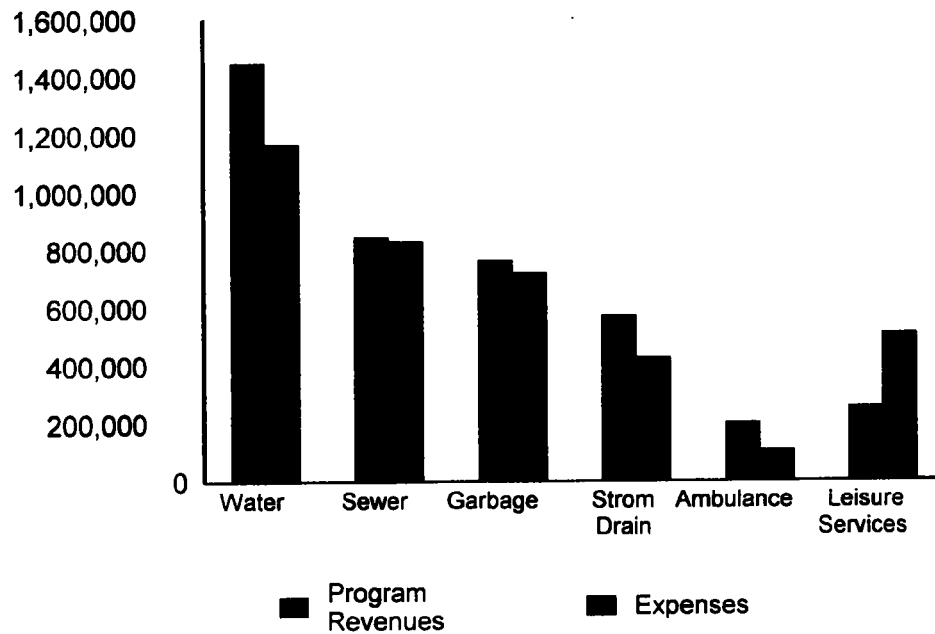
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	1,632,036	1,560,158	4,091,299	3,593,411	5,723,335	5,153,569
Operating grants and contribs	441,796	552,650	6,315	11,396	448,111	564,046
Capital grants and contribs	198,995	2,248,550	117,751	915,088	316,746	3,163,638
General revenues:						
Property taxes	1,946,627	1,628,333	-	-	1,946,627	1,628,333
General sales and use tax	1,342,693	1,283,013	-	-	1,342,693	1,283,013
Franchise tax	583,867	414,877	-	-	583,867	414,877
Energy & use tax	273,371	262,635	-	-	273,371	262,635
Interest earnings	175,603	175,814	43,123	18,279	218,726	194,093
Other	12,293	97,025	-	18,948	12,293	115,973
Total revenues	<u>6,607,281</u>	<u>8,223,055</u>	<u>4,258,488</u>	<u>4,557,122</u>	<u>10,865,769</u>	<u>12,780,177</u>
Expenses:						
General government	1,445,119	1,057,688	-	-	1,445,119	1,057,688
Public safety	1,587,507	1,496,263	-	-	1,587,507	1,496,263
Highways and public works	1,492,849	1,349,804	-	-	1,492,849	1,349,804
Community Development	603,307	516,321	-	-	603,307	516,321
Parks and recreation	716,051	611,866	-	-	716,051	611,866
Interest on long-term debt	396,046	402,326	-	-	396,046	402,326
Water Utility	-	-	1,169,108	1,050,843	1,169,108	1,050,843
Sewer Utility	-	-	831,776	807,690	831,776	807,690
Garbage Utility	-	-	720,574	719,569	720,574	719,569
Storm Water Utility	-	-	425,805	270,018	425,805	270,018
Ambulance Service	-	-	107,068	135,664	107,068	135,664
Leisure & Special Events	-	-	508,790	496,636	508,790	496,636
Total expenses	<u>6,240,879</u>	<u>5,434,268</u>	<u>3,763,121</u>	<u>3,480,420</u>	<u>10,004,000</u>	<u>8,914,688</u>
Increase in net assets before transfers	366,402	2,788,787	495,367	1,076,702	861,769	3,865,489
Transfers	(217,751)	(2,234,855)	217,751	2,234,855	-	-
Increase in net assets	<u>148,651</u>	<u>553,932</u>	<u>713,118</u>	<u>3,311,557</u>	<u>861,769</u>	<u>3,865,489</u>
Net assets - beginning - As Restated	<u>32,196,610</u>	<u>31,642,678</u>	<u>13,803,100</u>	<u>10,491,543</u>	<u>45,999,710</u>	<u>42,134,221</u>
Net assets - ending	<u>32,345,261</u>	<u>32,196,610</u>	<u>14,516,218</u>	<u>13,803,100</u>	<u>46,861,479</u>	<u>45,999,710</u>

Financial Analysis of the Government's Funds

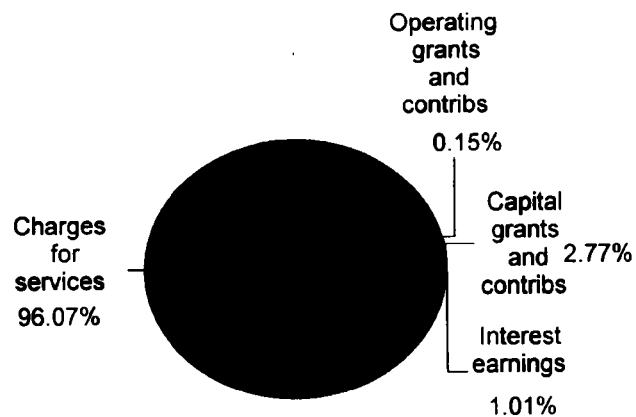
The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2005, the City's governmental funds reported combined ending fund balance of \$3,115,095. This is an increase of \$196,178 from last year. The general fund is the chief operating fund of the City, which ended with a fund balance of \$1,148,341. This is an increase of \$74,245 from 2004. The increase was mainly due to the increase in franchise fees as the new telecommunications franchise tax is bringing in more revenue than anticipated.

Expenses and Program Revenues Business-Type Activities



Revenues By Source Business-Type Activities



Taxes continue to be the largest source of revenue in the General Fund and represents almost 69% of the total general fund revenues. The largest element of taxes is sales tax as it has been for many years. It makes up for about 40% of total taxes collected. This amount is up \$59,680 from a year ago as sales tax revenues continue to rise as the economy stays good. This increase was from the overall state pooled amount that the City receives, as the direct sales from the City actually declined. Overall taxes increased by \$274,851 or about 9% from prior year.

As far as expenditures in the general fund, the overall increase was almost 8 %. The increase was mainly due to additional personnel and the increase in overall costs.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City maintains several enterprise funds which account for proprietary funds.

As reported on the Statement of Activities, all of the proprietary funds, except for Leisure Services, had program revenues sufficient to cover expenses. This is a good sign that the program revenues are covering the cost of providing these services to the residents. Leisure services receives a transfer from the General Fund to cover for the overhead costs to run Leisure Service department, but the individual programs do cover their own expenses.

The storm drainage enterprise fund increased in total assets as the fund was in place for the full fiscal year. Last fiscal year when the fund was created, it was created in October meaning that 3 months of the year were not available in last years totals. The other significant change came in the water fund as the City was able to pay off some capital leases and some debt that was owed to developers as water impact fees have increased with all of the development and building permits that have been issued.

General Fund Budgetary Highlights

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$3,769,989 to the final budget of \$3,840,074.

The increases were added to cover the increase in overall costs of supplies and materials and increases of transfers to capital projects to pay off capital leases that the City had.

Capital Assets and Debt Administration.

The capital assets increased form the previous year. The park capital project fund increased in buildings, as the City started the basement of the community center. Capital streets increased in improvements, as overlays and slurry seals were done throughout the City. The City also had some streets constructed or rebuilt which added to infrastructure. Storm drainage fund increased infrastructure, as over \$1,000,000 worth of projects were completed this year.

Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	11,293,481	11,487,479	131,662	131,662	11,425,143	11,619,141
Water rights & easements	-	-	15,717	15,717	15,717	15,717
Buildings	6,451,825	6,164,280	-	-	6,451,825	6,164,280
Improvements	5,810,443	5,445,443	9,224,086	8,246,636	15,034,529	12,692,079
Machinery & Equipment	3,289,298	3,061,409	8,595,106	8,522,213	11,884,404	11,583,622
Infrastructure	21,886,796	21,028,908	1,055,974	1,002,771	22,942,770	22,031,679
Total	48,731,843	47,187,519	19,022,545	17,918,999	67,754,388	65,106,518

During the current fiscal year, Farmington City issued the following debt:

- Issued \$891,018 in interim warrants for the special improvement district to pay off \$582,810 interim warrants and the remainder for additional expenditures.
- Tax revenue bond of \$1,747,000 to pay for the refinancing of the road excise bond and the water capital lease debt, and also the community center basement, the finishing of the museum and the reconstruction of Park Lane and 1100 West.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	2,765,000	3,005,000	-	-	2,765,000	3,005,000
Revenue Bonds	4,811,065	4,538,000	1,270,935	1,201,000	6,082,000	5,739,000
Short Term Notes	891,018	582,810	-	-	891,018	582,810
Special Assessment Bonds	198,000	221,000	-	-	198,000	221,000
Capital Leases	258,328	675,601	336,999	665,420	595,327	1,341,021
Total	8,923,411	9,022,411	1,607,934	1,866,420	10,531,345	10,888,831

Economic Factors and Next Year's Budgets and Rates

The major economic factors that have affected Farmington City have been the increase in building permits, with mainly the development of residential properties. This has fueled the need for the City to look at transportation needs and to amend the transportation master plan. Property taxes, franchise taxes, and sales tax have all increased as the economy has turned around, and more people are moving into the City have all increased the revenues to the City. The K-Mart store is now filled with a local merchant. They are also planning on adding some other small retail shops and restaurants. This will

be a boost to the area. There has been another proposal of a mixed use development north of the Smith's shopping center and will bring in some more commercial property tax and sales tax to the City. All of these developments are being made possible as the major highway reconstruction of U.S. 89 is over and the corridor along U.S. 89 seems to be rejuvenated and the City is hopeful that other development will continue to come into that area. There are about 400 to 500 town houses planned along the west side of U.S. 89, which have started to be constructed, and will also help in making the area a viable option for commercial development.

The City has established an RDA area west of I-15 and where the new commuter rail station will be built. This area is planned for a mixed use development with retail, office space, hotel, housing and commercial uses. Along with that development there are a couple hundred acres to the north that are not in the RDA which will be opened up for development. The City is planning on having a class 'A' office park in this area. The City would like this area to be developed at the same time the RDA commuter rail area is developed. This will help in opening up jobs here in the community as there is currently no office park area in Davis County. This will greatly enhance the tax base for the City.

It appears that next year will continue with the high rate of residential building in the City and the continued growth in revenues to the City which will help offset the added expenses that this growth causes, such as increases in City personnel and the higher costs of doing business as the higher costs of energy has caused materials and supplies to increase. The City will be able to keep up with the costs of the City as long as the economy is doing well and if building permits continue at the rate they are.

Request for information

This financial report is designed to provide a general overview of Farmington City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Farmington City, Finance Director, P.O. Box 160, Farmington UT 84025.

BASIC FINANCIAL STATEMENTS

FARMINGTON CITY CORPORATION

Statement of Net Assets

June 30, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,669,443	1,775,200	3,444,643
Cash with fiscal agents	1,425,805	9,786	1,435,591
Accounts receivable - net	-	377,046	377,046
Property, sales, & franchise taxes receivable	1,919,258	-	1,919,258
Other receivables	240,673	33,830	274,503
Capital lease receivable	2,155,000	-	2,155,000
Special assessments receivable	100,657	-	100,657
Deferred bond financing cost - net	49,308	-	49,308
Capital assets (net of accumulated depreciation):			
Land	11,293,481	131,662	11,425,143
Water rights & easements	-	15,717	15,717
Buildings	5,287,665	-	5,287,665
Improvements	3,490,151	13,778,040	17,268,191
Equipment	1,215,239	451,354	1,666,593
Infrastructure	13,381,101	-	13,381,101
Total assets	<u>42,227,781</u>	<u>16,572,635</u>	<u>58,800,416</u>
LIABILITIES			
Accounts payable and accrued liabilities	365,801	423,380	789,181
Construction bonds held	394,077	-	394,077
Due to subdividers and land owners	-	17,000	17,000
Short term notes payable	891,018	-	891,018
Accrued interest payable	95,920	8,103	104,023
Capital lease payable - current	96,402	54,667	151,069
Loan payable revenue bonds - current	861,680	120,320	982,000
Bond Premium - net	10,392	-	10,392
Capital lease payable - noncurrent	161,926	282,332	444,258
Loan payable revenue bonds - noncurrent	6,912,385	1,150,615	8,063,000
Compensated absences	92,919	-	92,919
Total liabilities	<u>9,882,520</u>	<u>2,056,417</u>	<u>11,938,937</u>
NET ASSETS			
Invested in capital assets, net of related debt	25,744,226	12,768,839	38,513,065
Restricted for:			
Debt service	-	36,251	36,251
Perpetual care:			
Expendable	1,110	-	1,110
Nonexpendable	258,142	-	258,142
Unrestricted	6,341,783	1,711,128	8,052,911
Total net assets	<u>\$ 32,345,261</u>	<u>14,516,218</u>	<u>46,861,479</u>

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION

Statement of Activities

For the Year Ended June 30, 2005

Function/Programs	Program Revenues			Net (Expense) Revenues & Changes in Net Assets		
	Expenses	Charges for Services	Operating		Governmental Activities	Total
			Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ 1,445,119	718,546	6,100	-	(720,473)	(720,473)
Public safety	1,587,507	242,946	36,232	-	(1,308,329)	(1,308,329)
Highways and public works	1,492,849	-	399,464	97,350	(996,035)	(996,035)
Community Development	603,307	136,246	-	-	(467,061)	(467,061)
Parks and recreation	716,051	534,298	-	101,645	(80,108)	(80,108)
Interest on long-term debt	396,046	-	-	-	(396,046)	(396,046)
Total governmental activities	6,240,879	1,632,036	441,796	198,995	(3,968,052)	(3,968,052)
Business-type activities:						
Water utility	1,169,108	1,450,644	-	27,508	-	309,044
Sewer utility	831,776	847,863	-	-	-	16,087
Garbage utility	720,574	763,542	-	-	-	42,968
Storm water utility	425,805	572,087	-	90,243	-	236,525
Ambulance service	107,068	200,854	6,315	-	-	100,101
Leisure & special events	508,790	256,309	-	-	(252,481)	(252,481)
Total business-type activities	3,763,121	4,091,299	6,315	117,751	452,244	452,244
Total primary government	10,004,000	5,723,335	448,111	316,746	(3,968,052)	(3,515,808)
General revenues:						
Property taxes					1,946,627	1,946,627
General sales and use tax					1,342,693	1,342,693
Franchise tax					583,867	583,867
Energy use tax					273,371	273,371
Interest earnings					175,603	218,726
Gain (loss) on sale of assets					(8,631)	(8,631)
Miscellaneous					20,924	20,924
Transfers					(217,751)	-
Total general revenues					4,116,703	4,377,577
Change in net assets					148,651	861,769
Net assets - beginning (as restated)					32,196,610	45,999,710
Net assets - ending					\$ 32,345,261	46,861,479

The notes to the financial statements are an integral part of this statement.

FARMINGTON CITY CORPORATION

Balance Sheet

Governmental Funds

For the Year Ended June 30, 2005

	Special Revenue			Capital Projects	Other	Total
	General	Redevelopment	Municipal	Street	Governmental	Governmental
	Fund	Agency	Building Authority	Improvement	Funds	Funds
ASSETS						
Cash and cash equivalents	\$ 1,012,043	129,437	-	720	527,243	1,669,443
Cash with fiscal agents	-	297,174	432,584	370,000	326,047	1,425,805
Receivables (net):						
Sales, property, & franchise taxes	1,541,155	-	-	-	378,103	1,919,258
Accounts	76,238	-	-	189	164,246	240,673
Capital lease receivable	-	-	2,155,000	-	-	2,155,000
Special assessments	-	-	-	-	100,657	100,657
Due from other funds	65,000	-	-	-	199,000	264,000
Total assets	2,694,436	426,611	2,587,584	370,909	1,695,296	7,774,836
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable & accrued liabilities	142,018	27,648	-	74,891	121,244	365,801
Construction bonds held	394,077	-	-	-	-	394,077
Due to other funds	-	-	-	179,000	85,000	264,000
Deferred revenue	1,010,000	-	2,155,000	-	470,863	3,635,863
Total liabilities	1,546,095	27,648	2,155,000	253,891	677,107	4,659,741
Fund Balances:						
Unreserved, designated:						
Self insurance	30,000	-	-	-	-	30,000
Unreserved, reported in:						
General fund	1,118,341	-	-	-	-	1,118,341
Special revenue funds	-	398,963	432,584	-	-	831,547
Debt service funds	-	-	-	-	179,573	179,573
Capital projects funds	-	-	-	117,018	579,364	696,382
Permanent fund	-	-	-	-	259,252	259,252
Total fund balances	1,148,341	398,963	432,584	117,018	1,018,189	3,115,095
Total liabilities and fund balances	\$ 2,694,436	426,611	2,587,584	370,909	1,695,296	7,774,836

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances - governmental fund types:	\$ 3,115,095
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,667,637
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Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,685,171
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Also issuance costs, premiums, discounts are not currently expensed but amortized over the life of the loan.	<u>(9,122,642)</u>
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Net assets of government activities	<u>\$ 32,345,261</u>
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The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue			Capital Projects		
	General	Redevelopment	Municipal	Street	Other	Total
	Fund	Agency	Building	Improvement	Governmental	Governmental
			Authority		Funds	Funds
REVENUES:						
Taxes	\$ 3,382,066	282,796	-	-	380,485	4,045,347
Special assessments	-	-	-	-	21,430	21,430
Leases	-	-	433,197	-	-	433,197
Licenses and permits	550,084	-	-	-	-	550,084
Intergovernmental	441,796	-	-	-	75,920	517,716
Charges for services	231,144	-	-	-	-	231,144
Impact fees	-	-	-	111,158	423,140	534,298
Fines and forfeitures	242,946	-	-	-	-	242,946
Interest	13,836	9,388	7,230	682	25,288	56,424
Miscellaneous revenue	49,645	-	-	-	44,843	94,488
Contributions	-	-	-	76,755	24,890	101,645
Total revenues	<u>4,911,517</u>	<u>292,184</u>	<u>440,427</u>	<u>188,595</u>	<u>995,996</u>	<u>6,828,719</u>
EXPENDITURES:						
Current:						
General government	721,805	82,371	300	-	-	804,476
Public safety	1,460,340	-	-	-	-	1,460,340
Highways and public works	505,222	-	-	-	-	505,222
Community development	598,105	-	-	-	-	598,105
Parks and cemetery	468,144	-	-	-	-	468,144
Capital outlay	-	-	-	1,337,380	1,076,503	2,413,883
Debt service:						
Principal retirement	-	87,000	315,000	582,810	648,460	1,633,270
Interest and fiscal charges	-	42,742	122,745	7,833	200,341	373,661
Bond issuance costs	-	-	-	-	12,572	12,572
Advance refunding escrow	-	-	-	-	107,400	107,400
Total expenditures	<u>3,753,616</u>	<u>212,113</u>	<u>438,045</u>	<u>1,928,023</u>	<u>2,045,276</u>	<u>8,377,073</u>
Excess revenues over (under) expenditures	<u>1,157,901</u>	<u>80,071</u>	<u>2,382</u>	<u>(1,739,428)</u>	<u>(1,049,280)</u>	<u>(1,548,354)</u>
Other financing sources (uses):						
Issuance of debt	-	-	-	1,268,179	1,122,904	2,391,083
Sale of assets	10,460	-	-	-	199,428	209,888
Payment to refunded bond escrow agent	-	-	-	-	(641,688)	(641,688)
Transfers in	12,524	-	-	282,540	761,875	1,056,939
Transfers (out)	(1,106,640)	(62,415)	-	-	(105,635)	(1,274,690)
Total other financing sources and uses	<u>(1,083,656)</u>	<u>(62,415)</u>	<u>-</u>	<u>1,550,719</u>	<u>1,336,884</u>	<u>1,741,532</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>74,245</u>	<u>17,656</u>	<u>2,382</u>	<u>(188,709)</u>	<u>287,604</u>	<u>193,178</u>
Fund balances - beginning of year- as adjusted	<u>1,074,096</u>	<u>381,307</u>	<u>430,202</u>	<u>305,727</u>	<u>730,585</u>	<u>2,921,917</u>
Fund balances - end of year	<u>\$ 1,148,341</u>	<u>398,963</u>	<u>432,584</u>	<u>117,018</u>	<u>1,018,189</u>	<u>3,115,095</u>

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds.	\$ 193,178
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	310,802
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.	(218,519)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(213,789)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	130,072
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(53,093)</u>
Change in net assets of governmental activities	<u>\$ 148,651</u>

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Taxes	\$ 3,060,000	3,283,476	3,382,066	98,590
Licenses and permits	352,950	505,900	550,084	44,184
Intergovernmental	509,200	437,648	441,796	4,148
Charges for services	133,600	201,835	231,144	29,309
Fines and forfeitures	240,000	240,000	242,946	2,946
Interest	1,225	13,715	13,836	121
Miscellaneous revenue	27,300	43,213	49,645	6,432
Total revenues	<u>4,324,275</u>	<u>4,725,787</u>	<u>4,911,517</u>	<u>185,730</u>
EXPENDITURES:				
Current:				
General government	801,438	782,598	721,805	60,793
Public safety	1,452,222	1,475,556	1,460,340	15,216
Highways and public works	508,570	515,827	505,222	10,605
Community development	558,796	599,298	598,105	1,193
Parks and cemetery	448,963	466,795	468,144	(1,349)
Total expenditures	<u>3,769,989</u>	<u>3,840,074</u>	<u>3,753,616</u>	<u>86,458</u>
Excess revenues over (under) expenditures	<u>554,286</u>	<u>885,713</u>	<u>1,157,901</u>	<u>272,188</u>
OTHER FINANCING SOURCES (USES):				
Sale of assets	7,000	10,321	10,460	139
Transfers in	11,324	12,524	12,524	-
Transfers (out)	(1,043,081)	(1,107,972)	(1,106,640)	1,332
Total other financing sources and uses	<u>(1,024,757)</u>	<u>(1,085,127)</u>	<u>(1,083,656)</u>	<u>1,471</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(470,471)</u>	<u>(199,414)</u>	<u>74,245</u>	<u>273,659</u>
Fund balances - beginning of year	<u>1,074,096</u>	<u>1,074,096</u>	<u>1,074,096</u>	<u>-</u>
Fund balances - end of year	<u>\$ 603,625</u>	<u>874,682</u>	<u>1,148,341</u>	<u>273,659</u>

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Redevelopment Agency Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 250,000	282,795	282,796	1
Interest	200	1,600	9,388	7,788
Total revenues	250,200	284,395	292,184	7,789
EXPENDITURES				
Current:				
General government	63,511	96,200	82,371	13,829
Capital projects	219,552	-	-	-
Principal retirement	87,000	87,000	87,000	-
Interest	42,742	42,742	42,742	-
Total expenditures	412,805	225,942	212,113	13,829
Excess revenues over (under) expenditures	(162,605)	58,453	80,071	21,618
Other financing sources (uses):				
Transfers (out)	(31,000)	(62,415)	(62,415)	-
Total	(31,000)	(62,415)	(62,415)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(193,605)	(3,962)	17,656	21,618
Fund balances - beginning of year	381,307	381,307	381,307	-
Fund balances - end of year	\$ 187,702	377,345	398,963	21,618

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Municipal Building Authority Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Lease revenue	\$ 429,745	434,745	433,197	(1,548)
Interest	10,000	5,000	7,230	2,230
Total revenues	439,745	439,745	440,427	682
EXPENDITURES				
Current:				
General government	2,000	2,000	300	1,700
Principal retirement	315,000	315,000	315,000	-
Interest	122,745	122,745	122,745	-
Total expenditures	439,745	439,745	438,045	1,700
Excess revenues over (under) expenditures	-	-	2,382	2,382
Fund balances - beginning of year	430,202	430,202	430,202	-
Fund balances - end of year	\$ 430,202	430,202	432,584	2,382

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION

Statement of Net Assets

Proprietary Funds

June 30, 2005

	Business-Type Activities - Enterprise						
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Leisure & Special Events	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 690,474	302,343	159,064	321,673	200,182	101,464	1,775,200
Accounts receivable	292,872	-	-	-	114,954	-	407,826
Allowance for doubtful accounts	-	-	-	-	(30,780)	-	(30,780)
Other receivables	31,792	-	-	-	2,038	-	33,830
Total current assets	1,015,138	302,343	159,064	321,673	286,394	101,464	2,186,076
Noncurrent assets:							
Restricted cash and							
Cash equivalents	-	-	-	9,786	-	-	9,786
Water stock & rights	15,717	-	-	-	-	-	15,717
Land, equipment, buildings and							
Improvements	13,427,255	9,730	327,308	4,869,771	246,283	126,481	19,006,828
Less: accumulated depreciation	(2,922,733)	(7,654)	(192,785)	(1,279,307)	(125,710)	(117,583)	(4,645,772)
Total noncurrent assets	10,520,239	2,076	134,523	3,600,250	120,573	8,898	14,386,559
Total assets	11,535,377	304,419	293,587	3,921,923	406,967	110,362	16,572,635
LIABILITIES							
Current liabilities:							
Accounts payable and							
Accrued liabilities	106,519	213,720	55,872	3,512	16,097	27,660	423,380
Accrued capital lease interest	4,146	-	-	470	-	-	4,616
Current portion capital lease	30,132	-	-	24,535	-	-	54,667
Accrued revenue bond interest	-	-	-	3,487	-	-	3,487
Current portion revenue bonds	22,320	-	-	98,000	-	-	120,320
Total current liabilities	163,117	213,720	55,872	130,004	16,097	27,660	606,470
Noncurrent liabilities:							
Due to subdividers and							
Land owners	17,000	-	-	-	-	-	17,000
Capital lease (net current portion)	214,558	-	-	67,774	-	-	282,332
Revenue bonds							
(Net current portion)	224,615	-	-	926,000	-	-	1,150,615
Total noncurrent liabilities	456,173	-	-	993,774	-	-	1,449,947
Total liabilities	619,290	213,720	55,872	1,123,778	16,097	27,660	2,056,417
Net Assets:							
Invested in capital assets,							
Net of related debt	10,028,614	2,076	134,523	2,474,155	120,573	8,898	12,768,839
Unrestricted	887,473	88,623	103,192	323,990	270,297	73,804	1,747,379
Total net assets	\$ 10,916,087	90,699	237,715	2,798,145	390,870	82,702	14,516,218

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds						Total
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Leisure & Special Events	
Operating revenues:							
Charges for services	\$ 931,726	847,863	763,542	419,882	200,809	256,309	3,420,131
Connection and servicing	86,337	-	-	-	-	-	86,337
Development fees	404,248	-	-	152,205	-	-	556,453
Miscellaneous	28,333	-	-	-	45	-	28,378
Total operating revenues	1,450,644	847,863	763,542	572,087	200,854	256,309	4,091,299
Operating expenses:							
Salaries and wages	267,148	29,437	28,642	69,607	18,294	207,000	620,128
Employee benefits	90,668	9,476	7,628	28,170	1,849	53,405	191,196
Contract services	-	770,434	646,312	66,951	11,865	-	1,495,562
Maintenance and supplies	338,291	9,754	9,717	96,504	19,245	207,499	681,010
Administration and overhead	68,343	11,268	7,127	11,146	25,629	33,695	157,208
Depreciation	318,405	217	21,148	103,478	29,952	7,191	480,391
Miscellaneous	-	1,190	-	-	-	-	1,190
Water purchases	57,339	-	-	-	-	-	57,339
Total operating expenses	1,140,194	831,776	720,574	375,856	106,834	508,790	3,684,024
Operating income	310,450	16,087	42,968	196,231	94,020	(252,481)	407,275
Nonoperating revenues (expenses):							
Grant revenue	-	-	-	-	6,315	-	6,315
Interest revenue	14,255	6,032	3,845	12,944	3,929	2,118	43,123
Interest expense and fiscal charges	(28,914)	-	-	(49,949)	(234)	-	(79,097)
Total nonoperating revenues (expenses)	(14,659)	6,032	3,845	(37,005)	10,010	2,118	(29,659)
Income (loss) before contributions and transfers:							
Contributions	27,508	-	-	90,243	-	-	117,751
Transfers in	-	-	-	-	-	225,275	225,275
Transfers (out)	-	-	-	-	-	(7,524)	(7,524)
Total income before contributions and transfers	27,508	-	-	90,243	-	217,751	335,502
Change in net assets	323,299	22,119	46,813	249,469	104,030	(32,612)	713,118
Total net assets - beginning as adjusted	10,592,788	68,580	190,902	2,548,676	286,840	115,314	13,803,100
Total net assets - ending	\$10,916,087	90,699	237,715	2,798,145	390,870	82,702	14,516,218

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds						Total
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Leisure & Special Events	
Cash Flows From Operating Activities							
Receipts from customers	\$ 1,449,593	847,863	763,542	583,917	179,955	264,689	4,089,559
Payments to suppliers	(480,185)	(761,455)	(669,613)	(191,695)	(66,167)	(242,047)	(2,411,162)
Payments to employees	(357,816)	(38,913)	(36,270)	(97,777)	(20,143)	(260,405)	(811,324)
Net cash provided (used) by operating activities	611,592	47,495	57,659	294,445	93,645	(237,763)	867,073
Cash Flows From Noncapital Financing Activities							
Contributions	22,000	-	-	48,376	-	-	70,376
Grants	-	-	-	-	6,315	-	6,315
Transfers from other funds	-	-	-	-	-	225,275	225,275
Transfers to other funds	-	-	-	-	-	(7,524)	(7,524)
Net cash provided (used) by noncapital financing activities	22,000	-	-	48,376	6,315	217,751	294,442
Cash Flows From Capital and Related Financing Activities							
Issuance of debt	246,935	-	-	-	-	-	246,935
Purchases of capital assets	(109,365)	-	(24,800)	(911,950)	(11,203)	-	(1,057,318)
Payments to subdividers	(278,472)	-	-	-	-	-	(278,472)
Principal paid on capital debt	(375,812)	-	-	(120,972)	(8,637)	-	(505,421)
Interest paid on capital debt	(17,619)	-	-	(44,842)	(233)	-	(62,694)
Net cash provided (used) by capital and related financing activities	(534,333)	-	(24,800)	(1,077,764)	(20,073)	-	(1,656,970)
Cash Flows From Investing Activities							
Interest and dividends received	14,255	6,032	3,845	12,944	3,929	2,118	43,123
Net cash provided (used) by investing activities	14,255	6,032	3,845	12,944	3,929	2,118	43,123
Net increase (decrease) in cash and cash equivalents	113,514	53,527	36,704	(721,999)	83,816	(17,894)	(452,332)
Cash and cash equivalents - beginning	576,960	248,816	122,360	1,053,458	116,366	119,358	2,237,318
Cash and cash equivalents - end	\$ 690,474	302,343	159,064	331,459	200,182	101,464	1,784,986
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 310,450	16,087	42,968	196,231	94,020	(252,481)	407,275
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	318,405	217	21,148	103,478	29,952	7,191	480,391
(Inc)/decrease in accounts rec.	(1,051)	-	-	11,830	(20,899)	8,380	(1,740)
Increase (decr.) in accounts payable	(16,212)	31,191	(6,457)	(17,094)	(9,428)	(853)	(18,853)
Total adjustments	301,142	31,408	14,691	98,214	(375)	14,718	459,798
Net cash provided (used) by operating activities	\$ 611,592	47,495	57,659	294,445	93,645	(237,763)	867,073
Noncash Investing, Capital and Financing Activities:							
Contribution of capital assets from private developers	5,508	-	-	41,867	-	-	47,375

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

FARMINGTON CITY CORPORATION

Notes to Financial Statements

June 30, 2005

Note 1 - Summary of Significant Accounting Policies

A. Reporting entity

The City is a municipal corporation governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the city. Each blended component unit has a June 30 year end.

Blended component units. The following entities are blended in the accompanying general purpose financial statements:

Farmington City Redevelopment Agency
Farmington City Municipal Building Authority

Blending means that component unit balances and transactions are combined with balances and transactions of the primary government. Although legally separate from the City, the above component units are blended because they are governed by boards comprised of the City Council members. The City retains fiscal responsibility for these entities. These entities are reported as special revenue funds.

Discretely presented component units. The City currently has no discretely presented component units.

Complete financial statements for the component units may be obtained at the entities administrative offices, 130 North Main, Farmington, Utah 84025.

Farmington Area Pressurized Irrigation District (FAPID), is not a part of Farmington City Corporation as it is governed by a separate elected board and City officials exercise no oversight responsibility. Accordingly, it is not included with this report.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The city reports the following major governmental funds:

The *general fund* is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *redevelopment agency fund* accounts for redevelopment agency transactions conducted by Farmington City, including property acquisition, site improvements, preparation cost, installation of public improvements, and administration cost.

The *municipal building authority fund* accounts for the receipts of payments on sale of a building and the payment of the debt related to the building.

The *street improvement capital project fund* accounts for the major replacement and repair city streets.

The city reports the following major proprietary funds:

The *water fund* accounts for the operations of the government's water utility system.

The *sewer fund* accounts for the operations of the government's sewer utility system.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The *garbage fund* accounts for the revenues and expenses associated with providing garbage collection services.

The *storm water* fund accounts for the revenues and expenses associated with the storm water utility system.

The *ambulance fund* accounts for the revenues and expenses associated with providing ambulance transportation services.

The *leisure services fund* accounts for the activities of the government's recreation program.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, garbage, ambulance, and leisure services enterprise funds are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are collected by the County Treasurer and remitted to the City shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by the telephone, natural gas and electric utilities and by cable TV operations. Taxes are remitted to the City monthly.

3. Restricted cash and cash equivalents

Certain resources of the City's water enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	15-20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5-10
Equipment	3-7

5. Compensated absences

City employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation up to 120 hours may carryover into the next year and is paid upon termination. Sick leave in excess of 320 hours may be converted to cash at one-third of the amount. Sick leave is forfeited upon termination.

Unpaid compensated absences in proprietary funds are recorded as a liability in those funds as the vested benefits to employees accrue.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discount, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Note 2 - Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 2 - Reconciliation of government-wide and fund financial statements (continued)

Capital related items

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 48,731,843
Accumulated depreciation	(14,064,206)
Total difference	<u>\$ 34,667,637</u>

Deferred revenue:

Long-term assets applicable to the City's governmental activities are not available to pay for current expenditures and thus are deferred in government funds. The statement of net assets includes these as revenue:

Deferred revenue	\$ 3,635,863
Deferred bond issuance cost	58,448
Accumulated amortization	(9,140)
Total difference	<u>\$ 3,685,171</u>

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2005 were:

Short term notes	\$ 891,018
Redevelopment bonds	726,000
Sales tax revenue bonds	1,500,065
General obligation bonds	2,765,000
Special assessment bonds	198,000
Lease revenue bonds	2,585,000
Capital lease	258,328
Interest payable on long-term debt	95,920
Compensated absences	92,919
Bond premium	12,765
Accumulated amortization	(2,373)
Total difference	<u>\$ 9,122,642</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 2 - Reconciliation of government-wide and fund financial statements (continued)

B. Explanation of differences between governmental fund operating statements and the statement of revenues, expenditures and changes in balances.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 1,823,944
Depreciation expense	<u>(1,513,142)</u>
Net differences as reported	<u>\$ 310,802</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donation) is to increase net assets."

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.

Capital assets sold	<u>\$ 218,519</u>
---------------------	-------------------

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$ 130,074 difference are as follows:

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 2 - Reconciliation of government-wide and fund financial statements (continued)

Debt issued or incurred:

Issuance of revenue bonds	\$ (1,500,065)
Issuance of short term notes	(891,018)
Amortization of issuance costs	(3,529)
Amortization of premium	982

Principal repayments:

General obligation debt	240,000
Revenue bonds	608,312
Capital lease payments	438,320
Bond issuance costs	12,572
Payment to refunding escrow	641,688
Net difference as reported	<u>\$ (452,738)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the \$(53,093) difference are as follows:

Compensated absences	\$ (30,708)
Accrued interest	<u>(22,385)</u>
Net difference as reported	<u>\$ (53,093)</u>

Note 3 - Stewardship, Compliance, and Accountability

A. Budgetary information

Budgets are prepared and adopted, in accordance with State law, by the Farmington City Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the City Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City council. The legal level of budgetary control is the function level. Appropriations lapse at June 30. During the year, supplemental appropriations were made increasing General fund expenditures by \$241,276.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 3 - Stewardship, Compliance, and Accountability (continued)

Utah State law allows for any undesignated fund balance in excess of 5% of total revenues of the General Fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 18% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the city has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

Budgets for the General Fund, Debt Service and Capital Projects Funds are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

B. Excess of expenditures over appropriations

For the year ended June 30, 2005, expenditure exceeded appropriations in the parks and cemetery department (legal level of budgetary control) of the general fund by \$1,349. The capital equipment and park improvement capital project funds exceed appropriations by \$10,898 and \$119,386, respectively. These overexpenditures were funded by greater than anticipated revenue in the case of the general fund.

C. Deficit fund equity

The Capital equipment capital projects fund had a deficit fund balance of \$630 as of June 30, 2005. This deficit will be funded by future revenues or transfer from the general fund.

Note 4 - Detailed Notes on all Funds

A. Deposits and investments

The City maintains cash accounts with local institutions and investment pools with the Utah Public Treasurers' Investment Fund, which is available for use by all funds.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

As of June 30, 2005, the City had the following deposits and investments:

	<u>Fair Value</u>
Cash on deposit	\$ 1,531,089
State Treasurer's investment pool	<u>3,477,926</u>
	<u>\$ 5,009,015</u>

Interest rate risk. The City manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

Credit risk. As of June 30, 2005, the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$1,395,704 of the \$1,531,089 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2005, are as follows:

Cash on deposit	\$ 1,777,308
Utah State Treasurer's investment pool account	<u>3,102,926</u>
	<u>\$ 4,880,234</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 3,444,643
Cash with fiscal agents	<u>1,435,591</u>
	<u>\$ 4,880,234</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

B. Capital lease receivable

The Municipal Building Authority has entered into a lease/purchase agreement with the City. The City has then entered into a sublease/purchase with Davis County School District for the sale of the administration building. The lease term is a one year lease with 14 consecutive additional renewable terms. The lease payments are due annually beginning June 15, 2000. Principal payment amounts range from \$260,000 to \$415,000 with interest imputed at 3.40% to 4.15%. A purchase option price is available at any time, with the amount being computed at the time of the option. Conveyance of title to property will be done upon receipt of the option purchase price, or the final payment of all the lease payments. The sublessee is responsible for all maintenance, utilities, and taxes that may be imposed on the building.

Future minimum lease payments receivable are as follows:

2006	\$ 435,145
2007	436,983
2008	433,213
2009	438,688
2010	437,500
2011 & 2012	438,812
	<hr/> 2,620,341
Amounts representing interest	(465,341)
Present value of future minimum lease payments	<hr/> \$ 2,155,000 <hr/>

C. Receivables / deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Property taxes receivable (general fund)	\$ 1,010,000
Property taxes receivable (debt service fund)	470,863
Capital lease receivable (MBA fund)	2,155,000
Total deferred/unearned revenue for governmental funds	<hr/> \$ 3,635,863 <hr/>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 4 - Detailed Notes on all Funds (continued)

D. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 11,487,479	24,139	218,137	11,293,481
Total capital assets not being depreciated	11,487,479	24,139	218,137	11,293,481
Capital assets being depreciated:				
Buildings	6,164,279	287,546	-	6,451,825
Improvements	5,445,443	365,000	-	5,810,443
Machinery and equipment	3,061,410	289,371	61,483	3,289,298
Infrastructure	21,028,908	857,888	-	21,886,796
Total capital assets being depreciated	\$ 35,700,040	1,799,805	61,483	37,438,362
Less accumulated depreciation for:				
Building	995,137	169,023	-	1,164,160
Improvements	2,009,242	311,050	-	2,320,292
Machinery and equipment	1,855,763	279,397	61,101	2,074,059
Infrastructure	7,752,023	753,672	-	8,505,695
Total accumulated depreciation	12,612,165	1,513,142	61,101	14,064,206
Total capital assets, being depreciated, net	23,087,875	286,663	382	23,374,156
Governmental activities capital assets, net	\$ 34,575,354	310,802	218,519	34,667,637

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FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 4 - Detailed Notes on all Funds (continued)

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 131,662	-	-	131,662
Water stock and rights	15,717	-	-	15,717
Total capital assets not being depreciated	147,379	-	-	147,379
Capital assets being depreciated:				
Improvements	8,246,636	977,450	-	9,224,086
Distribution mains and reservoir	8,522,213	72,893	-	8,595,106
Machinery and equipment	1,002,771	53,203	-	1,055,974
Total capital assets being depreciated	17,771,620	1,103,546	-	18,875,166
Less accumulated depreciation for:				
Improvements	2,016,610	208,791	-	2,225,401
Distribution mains and reservoirs	1,632,946	182,805	-	1,815,751
Machinery and equipment	515,825	88,795	-	604,620
Total accumulated depreciation	4,165,381	480,391	-	4,645,772
Total capital assets, being depreciated, net	13,606,239	623,155	-	14,229,394
Business-type activities capital assets, net	\$ 13,753,618	\$ 623,155	\$ -	\$ 14,376,773

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 144,704
Public safety	131,231
Highways and public improvements	987,627
Community development	5,202
Parks and recreation	244,378
Total depreciation expense - governmental activities	1,513,142

Business-type activities:

Water	318,405
Sewer	217
Garbage	21,148
Storm water	103,478
Ambulance	29,952
Recreation	7,191

Total depreciation expense- business-type activities	480,391
Total depreciation expense	\$ 1,993,533

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 4 - Detailed Notes on all Funds (continued)

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Park Improvement	\$ 65,000
Special Imp District 99-1	G.O. Bond 2003 Park	19,000
Government Buildings Impr.	Capital Equipment	1,000
Government Buildings Impr.	Capital Street Improvement	179,000
Total		<u>\$ 264,000</u>

Interfund receivables and payables are help with expenditures during the year which exceed revenues. The intent is for the funds to pay back these accounts with revenues from the next fiscal year.

Interfund Transfers:

	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Park Improvement</u>	<u>Non-major Governmental</u>	<u>Leisure and Special Events Enterprise</u>	
Transfers Out:					
General fund	\$ -	13,985	867,380	225,275	1,106,640
Redevelopment Agency	-	-	62,415	-	62,415
Park improvement	-	-	23,000	-	23,000
Non-major governmental	5,000	-	73,967	-	78,967
Leisure and special events	7,524	-	-	-	7,524
Total transfers in	<u>\$ 12,524</u>	<u>13,985</u>	<u>1,026,762</u>	<u>225,275</u>	<u>1,278,546</u>

Interfund transfers are done to help with certain administrative costs, the construction and/or purchase of capital assets, and to meet debt obligations.

F. Short Term Notes Payable

The City issued \$891,018 in short term interim warrants to help finance the construction of street, curb, gutter, sidewalk, and street light improvements and to pay off \$582,810 of interim warrants in the special improvement district. The City plans on paying these off with long-term bonds when the project is complete. The interim warrants are due December 2005.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 4 - Detailed Notes on all Funds (continued)

G. Leases

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of police communications equipment, a fire truck, a front-end loader, and improvements. The city also has financed the acquisition of certain meters, and improvements to reservoir, tank, and lines in the water fund as well as an ambulance in the ambulance enterprise fund, and a street sweeper in the storm water enterprise fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Water Enterprise Fund	Storm Water Enterprise Fund	Ambulance Enterprise Fund
Assets:				
Vehicles	\$ 379,520	27,622	127,562	94,250
Machinery and equipment	166,756	-	-	-
Improvements	440,000	671,176	-	-
Less: accumulated depreciation	(125,422)	(101,255)	(7,579)	(43,211)
Total	<u>\$ 860,854</u>	<u>597,543</u>	<u>119,983</u>	<u>51,039</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

Year Ending June 30:	Governmental Activities	Water Enterprise Fund	Storm Water Enterprise Fund
2006	\$ 99,170	38,424	27,083
2007	98,550	38,424	27,083
2008	62,212	38,425	27,083
2009	20,653	54,015	16,909
2010	-	35,926	-
2011-2012	-	72,329	-
Total minimum lease payments	280,585	277,543	98,158
Less: amount representing interest	(22,257)	(32,853)	(5,849)
Present value of minimum lease payments	<u>\$ 258,328</u>	<u>244,690</u>	<u>92,309</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 4 - Detailed Notes on all Funds (continued)

H. Long-term debt

General Obligation Bonds

The city issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$3,400,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20 to 14 years serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Municipal purpose	4.9-5.6%	\$ 1,045,000
Parks and municipal buildings	2.0-4.0%	1,720,000
		<u>\$ 2,765,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 250,000	115,008
2007	270,000	105,657
2008	290,000	94,277
2009	310,000	81,923
2010	330,000	67,921
2011-2015	1,125,000	160,575
2016	190,000	7,600
Total	<u>\$ 2,765,000</u>	<u>632,961</u>

The government also issued \$258,441 of special assessment debt in 2001 to provide funds for the construction of curb, gutter and sidewalks. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The bonds have a stated rate of interest of 5.5 percent and are payable annually.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 4 - Detailed Notes on all Funds (continued)

Annual debt service requirements to maturity for special assessment bonds are as

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2006	\$ 24,000	10,890
2007	25,000	9,570
2008	27,000	8,195
2009	28,000	6,710
2010	30,000	5,170
2011-2012	64,000	5,335
Total	\$ 198,000	45,870

Revenue bonds

The city issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original debt issued in prior years was for \$1,121,000 with annual installments of \$97,000 to \$134,000 per year. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Storm water fund	1.95-4.95%	\$ 1,024,000

In addition, the City Redevelopment Agency has issued tax increment revenue bonds which were used for refurbishing part of the City. The 1997 bonds were issued for \$349,000 and are due in annual installments of \$34,000 to \$76,000 thru April 1, 2007 and the 2002 serial bonds were issued for \$717,000 are due in annual installments of \$31,000 to \$173,000 thru January 15, 2012. At June 30, 2005 the outstanding balances of such issues was a follows:

Governmental Activities:

	<u>Interest Rates</u>	<u>Amount</u>
1997 Redevelopment	6.1-6.8%	122,000
2003 Redevelopment	2.75-5.2%	604,000
		726,000

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 4 - Detailed Notes on all Funds (continued)

The City has three other debts which it treats as revenue type debt because of the nature of the debt and the revenues being used to fund the related debt service. One of the debts is a lease revenue bond issued by the City Municipal Building Authority for the construction of a building. The original debt was for \$4,300,000 and is being repaid in installments of \$260,000 to \$415,000 per year. In addition, in June of 2005, the City issued two Sales Tax Revenue bonds which are secured by the collection of sales taxes. The Series 2005A refunding bonds were issued for \$653,864 and were used for the defeasance of the 2001 Excise Tax revenue bonds. The Series 2005B revenue bonds were issued for \$1,093,000 and were used for street and park construction projects, and to purchase equipment under a capital lease in the water fund. The series A bonds are being repaid in annual installments of \$100,859 to \$118,670 thru June 1, 2011. The series B bonds are being repaid in annual installments of \$94,141 to \$131,165 thru June 2015. At June 30, 2005, these debt balances are as follows:

Governmental Activities:

	Interest Rates	Amount
1999 Lease Revenue Bonds	3.40 to 4.375%	2,585,000
2005A Sales Tax Revenue Refunding Bonds	3.65%	654,000
2005B Sales Tax Revenue Bonds	4.15%	846,065
		<u>4,085,065</u>

Business-type Activities:

2005B Sales Tax Revenue Bonds	4.15%	<u>246,935</u>
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Total city reflected revenue bonds		<u>\$ 6,082,000</u>
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Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 588,990	202,840	119,010	51,349
2007	617,763	182,246	122,237	48,620
2008	616,859	155,520	126,141	44,507
2009	646,956	129,958	131,044	39,844
2010	673,052	102,172	135,948	34,621
2011-2015	1,667,445	140,471	636,555	78,310
Totals	<u>\$ 4,811,065</u>	<u>913,207</u>	<u>1,270,935</u>	<u>297,251</u>
Total governmental and business-type revenue bonds	<u>\$ 6,082,000</u>	<u>1,210,458</u>		

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 4 - Detailed Notes on all Funds (continued)

Advance and current refundings

The government issued \$654,000 of sales tax revenue refunding bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$891,857 on excise tax revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken did not reduce the number of years for debt service payments but did resulting an economic gain of \$18,703.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 582,810	891,018	(582,810)	891,018	891,018
Bonds payable:					
General obligation bonds	3,005,000	-	(240,000)	2,765,000	250,000
Special assessment debt with governmental commitment	221,000	-	(23,000)	198,000	24,000
Revenue bonds	4,538,000	1,500,065	(1,227,000)	4,811,065	587,680
Less deferred amounts:					
For issuance discounts	(40,265)	(12,572)	3,529	(49,308)	-
Total bonds payable	7,723,735	1,487,493	(1,486,471)	7,724,757	861,680
Capital leases	675,601	-	(417,273)	258,328	96,402
Compensated absences	62,211	92,919	(62,211)	92,919	92,919
Governmental activity Long-term liabilities	<u>\$ 9,044,357</u>	<u>\$ 2,471,430</u>	<u>\$ (2,548,765)</u>	<u>\$ 8,967,022</u>	<u>\$ 1,942,019</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	1,201,000	246,935	(177,000)	1,270,935	120,320
Capital leases	665,420	-	(328,421)	336,999	54,667
Business-type activity Long-term liabilities	<u>\$ 1,866,420</u>	<u>246,935</u>	<u>(505,421)</u>	<u>1,607,934</u>	<u>174,987</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 5 - Other Information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Retirement Plans

Local Government- Cost Sharing

Plan Description

Farmington City Corporation (City) contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

Beginning July 1, 1996, the City ceased participation in the Local Governmental Contributory Retirement System. The City is required to contribute a percent of covered salary to the respective systems, 11.090% to the Noncontributory, 19.080% to the Public Safety Noncontributory system. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 5 - Other Information (continued)

The City's contributions to the Local Governmental Noncontributory Retirement System the Contributions for June 30, 2005, 2004 and 2003 were \$141,857, \$113,129 and \$92,589, respectively, for the Public Safety Noncontributory, \$87,186, \$69,181 and \$56,449, respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plan

Effective January 1, 1987, the City also provides through a third party administrator, a supplemental defined contribution plan (401(a)) for all full-time employees. Plan contributions vary according to which state retirement plan the employee participates in and range from 4.48% to 12.28%. For full-time employees hired prior to January 1, 1987, vesting begins after 4 years of service at 40% with 10% increments for each additional year of service. Full vesting occurs after 10 years service. As of July 1, 2001 full-time employees, are not eligible to participate until 1 year of service has been completed, at which time the participant is 100% vested.

The City's required and actual contribution to this plan was \$52,864 for the fiscal year ended June 30, 2005.

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457 and Section 401(k). The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Investments are managed by the plans' trustees under several investment options. The choice of the investment options is made by the participants.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

There are several pending lawsuits in which the City is involved. The City's attorney estimates that the potential claims against the City resulting from such litigation not covered by insurance would not materially affect the financial statements of the City.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 5 - Other Information (continued)

D. Redevelopment Agency

Tax increment money was generated from the following project area within the Redevelopment Agency:

Area: US. 89 Neighborhood Development	<u>\$ 282,796</u>
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Tax increment paid to other taxing entity (Davis School District)	<u>\$ 23,902</u>
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Outstanding debt of the RDA consists of the following:

Tax increment bonds 1997	\$ 122,000
Tax increment bonds 2003	<u>604,000</u>
	<u>\$ 726,000</u>

During the year, the RDA expended monies in the categories below as follows:

Site improvements/ preparation costs	\$ 46,369
Administration costs	\$ 12,100
Debt Service	\$ 129,742

E. Prior Period Adjustments

The net assets in the statement of assets was adjusted by the following amounts:

Governmental Activities

A prior period adjustment was made in the general fund for wages and benefits not accrued in prior year in the amount of \$36,091. Also, an adjustment was made in the street improvement fund of \$8,487 for expenses recorded in the sewer fund.

Business Activities

A prior period adjustment was made in the sewer fund of \$8,487 for expenses that should have been recorded in the capital street improvement fund. Also, an adjustment in the Storm Water fund of \$121,267 for correcting accumulated depreciation that was overstated.

F. Reclassification of prior year amounts

Certain amounts from the prior year report have been reclassified to conform to the current year presentation.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2005

Note 5 - Other Information (continued)

G. Subsequent Event

In August of 2005 the City paid off the short term note in the amount of \$891,018 by paying \$657,241 from prepayments on the assessments and issuing special assessment bonds in the amount of \$312,476. The series 2005 special assessment bonds have an interest rate of 4.15%, and annual payments are due beginning October 1, 2006 through 2015. The amortization of the bond repayments is as follows:

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2006	\$ -	8,040
2007	24,476	12,460
2008	27,000	11,392
2009	28,000	10,250
2010	29,000	9,068
2011-2015	167,000	25,544
2016	37,000	768
Totals	<u>\$ 312,476</u>	<u>77,522</u>

SUPPLEMENTAL INFORMATION

FARMINGTON CITY CORPORATION

Nonmajor Governmental Funds

June 30, 2005

Debt Service Funds

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Class C Road Bond Fund - This fund is used to account for principal and interest on the excise tax revenue bonds used to reimburse the road fund for improvements made in prior year.

Sales Tax Revenue Bond Fund - This fund is used to account for principal and interest on the sales tax revenue bonds used to refund current debt and other general improvements.

G.O. Bond 2003 Park Fund - This fund is used to account for principal and interest on the general obligation bonds used to finance construction of the City's community center and park projects.

Fire/Police Station Fund - This fund is used to account for principal and interest on the general obligation bonds used to finance construction of the City's Fire/Police Station.

Pool - Shops G.O. Bond Fund - This fund is used to account for principal and interest on the general obligation bonds used to finance construction of the City's swimming pool and the City's shop buildings.

Special Improvement District 99-1 - This fund is used to account for receipt of special assessment levies and payment of special assessment bond principal and interest for the special improvement project.

Special Improvement Guaranty Fund - This fund accounts for the accumulation of resources for the guaranty of special assessment bonds as required by Utah law.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Government Buildings Improvement Fund - This fund accounts for the replacement, repairs and future improvements to the government buildings and the city. General government resources provide the primary source of funding with grants providing additional funding as available.

Park Improvement Fund - This fund accounts for the ongoing acquisition and replacement of major capital assets needed to maintain the operations of the city. General government resources provide the primary source of funding with grants and other government resources providing additional funding as available.

FARMINGTON CITY CORPORATION

Nonmajor Governmental Funds

June 30, 2005

Capital Projects Funds - continued

Capital Equipment Fund - This fund accounts for the ongoing acquisition and replacement of major capital assets needed to maintain the operations of the city. General government resources provide the primary source of funding with grants and other government resources providing additional funding as available.

Real Estate Property Asset Fund - This fund accounts for the costs to develop and subdivide City owned property that will be sold as surplus. General government resources provide the up front funding which is intended to be reimbursed from the sale of the property.

Fire Protection Fund - This fund accounts for the acquisition of major capital assets needed for adequate fire protection. Federal grants and building permit fees are the primary source of funding for these acquisitions.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust is used to maintain the City's cemetery.

MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

Street Improvement Fund - This fund accounts for the major replacement and repair of the city streets including Class C roads. General government resources and contributions from developers provide the funding.

FARMINGTON CITY CORPORATION

Combining Balance Sheet - Nonmajor Funds

June 30, 2005

Debt Service

	Class C Road Bond	Sales Tax Revenue Bond	G.O. Bond 2003 Park	Fire/Police Station	Pool-Shops G.O. Bond	Special Improvement Dist. 99-1	Special Improvement Guaranteee
\$	-	4,168	617	-	26,378	82,080	28,640
Cash and cash equivalents	-	-	30,289	-	-	4	-
Cash with fiscal agents	-	-	-	-	-	-	-
Receivables:	-	-	-	-	-	-	-
Property taxes	-	-	164,000	-	214,103	-	-
Accounts	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	100,657	-
Due from other funds	-	-	-	-	-	19,000	-
Total assets	-	4,168	194,906	-	240,481	201,741	28,640

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LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	-	500	-	-	-	-	-
Deferred revenue	-	-	160,575	-	209,631	100,657	-
Due to other funds	-	-	19,000	-	-	-	-
Total liabilities	-	500	179,575	-	209,631	100,657	-

Fund balances:

Fund balances reserved for:

Debt service	-	3,668	15,331	-	30,850	101,084	28,640
Capital projects	-	-	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-	-	-
Total fund balances	-	3,668	15,331	-	30,850	101,084	28,640
Total liabilities and fund balance	\$	4,168	194,906	-	240,481	201,741	28,640

FARMINGTON CITY CORPORATION

Combining Balance Sheet - Nonmajor Funds (continued)

June 30, 2005

	Capital Projects				Permanent	Total
	Gov't Buildings Improv/other	Park Improvement	Capital Equipment	Real Estate Property Asset	Cemetery Perpetual Care	Nonmajor Governmental Fund
ASSETS						
Cash and cash equivalents	\$ 98,013	1,102	370	9,964	259,252	527,243
Cash with fiscal agents	-	295,754	-	-	-	326,047
Receivables:						
Property taxes	-	-	-	-	-	378,103
Accounts	-	164,246	-	-	-	164,246
Special assessments	-	-	-	-	-	100,657
Due from other funds	180,000	-	-	-	-	199,000
Total assets	278,013	461,102	370	9,964	259,252	1,695,296
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	12,675	108,069	-	-	-	121,244
Deferred revenue	-	-	-	-	-	470,863
Due to other funds	-	65,000	1,000	-	-	85,000
Total liabilities	12,675	173,069	1,000	-	-	677,107
Fund balances:						
Fund balances reserved for:						
Debt service	-	-	-	-	-	179,573
Capital projects	265,338	288,033	(630)	9,964	-	579,364
Cemetery perpetual care	-	-	-	-	259,252	259,252
Total fund balances	265,338	288,033	(630)	9,964	259,252	1,018,189
Total liabilities and fund balance	\$ 278,013	461,102	370	9,964	259,252	1,695,296

FARMINGTON CITY CORPORATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds

For the Year Ended June 30, 2005

Debt Service Funds						
	Class C Road Bond	Sales Tax Revenue Bond	G.O. Bond 2003 Park	Fire/Police Station	Pool-Shops G.O. Bond	Special Improvement Dist. 99-1 Guarantee
REVENUES:						
Interest	\$ 2,519	-	-	-	729	7,334
Special assessments	-	-	-	-	-	21,430
Grants	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Impact fees	-	-	-	-	-	-
Property tax	-	-	164,929	25,325	190,231	-
Other	-	-	-	-	-	-
Total	2,519	-	164,929	25,325	190,960	684
EXPENDITURES:						
Capital outlays	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Agents fees	750	-	500	350	150	250
Debt service:						
Principal retirement	88,000	-	95,000	25,000	120,000	23,000
Interest and fiscal charges	42,574	-	62,682	998	60,836	12,155
Bond issuance costs	12,572	-	-	-	-	-
Advance refunding escrow	107,400	-	-	-	-	-
Total	251,296	-	158,182	26,348	180,986	35,405
Excess of revenues over (under) expenditures	(248,777)	-	6,747	(1,023)	9,974	(6,641)
Other financing sources (uses):						
Issuance of debt	654,000	-	-	-	-	-
Sale of assets	-	-	-	-	-	-
Payment to refunded bond escrow agent	(641,688)	-	-	-	-	-
Transfers in	130,000	3,668	-	-	3,967	-
Transfers (out)	(3,668)	-	-	(3,967)	-	-
Total other financing sources (uses)	138,644	3,668	-	(3,967)	3,967	-
Excess revenues and other sources over expenditures and other uses	(110,133)	3,668	6,747	(4,990)	13,941	(6,641)
Fund balances - beginning of year, as adjusted	110,133	-	8,584	4,990	16,909	27,956
Fund balances - end of year	\$ -	3,668	15,331	-	30,850	28,640

FARMINGTON CITY CORPORATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds (Continued)

For the Year Ended June 30, 2005

	Capital Projects Funds				Permanent Fund	Total
	Gov't	Park	Capital	Real Estate	Cemetery	Nonmajor
	Buildings	Improvement	Equipment	Property	Perpetual	Governmental
	Improv/other			Asset	Care	Funds
	\$	1,348	89	794	5,983	25,288
REVENUES:						
Interest	5,296	-	-	-	-	21,430
Special assessments	-	-	-	-	-	75,920
Grants	-	-	75,920	-	-	24,890
Contributions	790	24,100	-	-	-	423,140
Impact fees	35,125	358,947	-	-	-	380,485
Property tax	-	-	-	-	-	44,843
Other	-	17,568	-	-	27,275	995,996
Total	41,211	401,963	76,009	794	33,258	
EXPENDITURES:						
Capital outlays	65,759	488,889	405,933	115,922	-	1,076,503
Interest expense	-	-	-	1,411	-	1,411
Agents fees	-	-	-	-	-	2,000
Debt service:						
Principal retirement	-	155,488	-	-	-	648,460
Interest and fiscal charges	-	8,904	-	-	-	196,930
Bond issuance costs	-	-	-	-	-	12,572
Advance refunding escrow	-	-	-	-	-	107,400
Total	65,759	653,281	405,933	117,333	-	2,045,276
Excess of revenues over (under) expenditures	(24,548)	(251,318)	(329,924)	(116,539)	33,258	(1,049,280)
Other financing sources (uses):						
Issuance of debt	-	468,904	-	-	-	1,122,904
Sale of assets	-	58,480	-	140,948	-	199,428
Payment to refunded bond escrow agent	-	-	-	-	-	(641,688)
Transfers in	159,855	13,985	327,200	3,200	-	761,875
Transfers (out)	(70,000)	(23,000)	-	-	(5,000)	(105,635)
Total other financing sources (uses)	89,855	518,369	327,200	144,148	(5,000)	1,336,884
Excess revenues and other sources over expenditures and other uses	65,307	267,051	(2,724)	27,609	28,258	287,604
Fund balances - beginning of year, as adjusted	200,031	20,982	2,094	(17,645)	230,994	730,585
Fund balances - end of year	\$ 265,338	288,033	(630)	9,964	259,252	1,018,189

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Class C Road Debt Service Fund
For the Year Ended June 30, 2005

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 2,000	2,519	519
Total revenues	2,000	2,519	519
Expenditures:			
Principal retirement	88,000	88,000	-
Interest and fiscal charges	42,574	42,574	-
Agent fees	750	750	-
Bond issuance costs	12,668	12,572	96
Advance refunding escrow	107,400	107,400	-
Total expenditures	251,392	251,296	96
Excess (deficiency) of revenues over expenditures	(249,392)	(248,777)	615
Other financing sources (uses):			
Refunding bonds issued	737,000	654,000	(83,000)
Payment to refunded bond escrow agent	(737,000)	(641,688)	95,312
Transfers in	130,274	130,000	(274)
Transfers (out)	-	(3,668)	(3,668)
Total other financing sources (uses)	130,274	138,644	8,370
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(119,118)	(110,133)	8,985
Fund balance - beginning of year	110,133	110,133	-
Fund balance- end of year	\$ (8,985)	-	8,985

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Sales Tax Revenue Bond Debt Service Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ -	-	-
Total revenues	-	-	-
Expenditures:			
Principal retirement	-	-	-
Interest	-	-	-
Agents Fees	-	-	-
Total expenditures	-	-	-
Excess revenues over (under) expenditures	-	-	-
Other financing sources (uses)			
Transfers In	-	3,668	3,668
Total other financing sources and uses	-	3,668	3,668
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	3,668	(3,668)
Fund balance- beginning of year	-	-	-
Fund balance- end of year	\$ -	3,668	(3,668)

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
G.O. Bond 2003 Park Debt Service Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ 160,275	164,929	4,654
Total revenues	160,275	164,929	4,654
Expenditures:			
Principal retirement	95,000	95,000	-
Interest and fiscal charges	62,725	62,682	43
Agents fees	2,000	500	1,500
Total expenditures	159,725	158,182	1,543
Excess (deficiency) of revenues over expenditures	550	6,747	6,197
Fund balance- beginning of year	8,584	8,584	-
Fund balance- end of year	\$ 9,134	15,331	6,197

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Fire/Police Station Debt Service Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ 26,600	25,325	(1,275)
Total revenues	26,600	25,325	(1,275)
Expenditures:			
Principal retirement	25,000	25,000	-
Interest and fiscal charges	1,000	998	2
Agent fees	600	350	250
Total expenditures	26,600	26,348	252
Excess (deficiency) of revenues over expenditures	-	(1,023)	(1,023)
Other financing sources (uses):			
Transfers (out)	(4,000)	(3,967)	33
Total other financing sources (uses)	(4,000)	(3,967)	33
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(4,000)	(4,990)	990
Fund balance- beginning of year	4,990	4,990	-
Fund balance- end of year	\$ 990	-	990

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Pool- Shops GO Bond Debt Service Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ 185,253	190,231	4,978
Interest	700	729	29
Total revenues	185,953	190,960	5,007
Expenditures:			
Principal retirement	120,000	120,000	-
Interest and fiscal charges	60,853	60,836	17
Agents fees	300	150	150
Total expenditures	181,153	180,986	167
Excess (deficiency) of revenues over expenditures	4,800	9,974	5,174
Other financing sources (uses):			
Transfers in	4,000	3,967	(33)
Total other financing sources (uses)	4,000	3,967	(33)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	8,800	13,941	(5,141)
Fund balance- beginning of year	16,909	16,909	-
Fund balance- end of year	\$ 25,709	30,850	(5,141)

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Improvement District 99-1 Debt Service Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Principal assessments	\$ 25,000	21,430	(3,570)
Interest	8,000	7,334	(666)
Total revenues	33,000	28,764	(4,236)
Expenditures:			
Principal retirement	23,000	23,000	-
Interest and fiscal charges	12,155	12,155	-
Agents Fees	250	250	-
Total expenditures	35,405	35,405	-
Excess (deficiency) of revenues over expenditures	(2,405)	(6,641)	(4,236)
Fund balance- beginning of year	107,725	107,725	-
Fund balance- end of year	\$ 105,320	101,084	(4,236)

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Improvement Guaranty Debt Service Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 684	684	-
Total revenues	684	684	-
Expenditures:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	684	684	-
Fund balance- beginning of year	27,956	27,956	-
Fund balance- end of year	\$ 28,640	28,640	-

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Buildings Improvement Capital Projects Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Contributions	\$ 1,000	790	(210)
Police impact fees	32,000	35,125	3,125
Interest	4,300	5,296	996
Other income	4,350	-	(4,350)
Total revenues	41,650	41,211	(439)
Expenditures:			
Capital outlay	120,061	65,759	54,302
Total expenditures	120,061	65,759	54,302
Excess (deficiency) of revenues over expenditures	(78,411)	(24,548)	53,863
Other financing sources (uses):			
Transfers in	159,855	159,855	-
Transfers (out)	(70,000)	(70,000)	-
Total other financing sources (uses)	89,855	89,855	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	11,444	65,307	53,863
Fund balance- beginning of year	200,031	200,031	-
Fund balance- end of year	\$ 211,475	265,338	53,863

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Park Improvement Capital Projects Fund
For the Year Ended June 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees	350,000	358,947	8,947
Contributions	24,100	24,100	-
Other income	18,400	17,568	(832)
Interest on investments	1,000	1,348	348
Total revenues	393,500	401,963	8,463
Expenditures:			
Capital outlay	369,406	488,889	(119,483)
Debt payments	155,489	155,488	1
Interest & Fiscal Charges	9,000	8,904	96
Total expenditures	533,895	653,281	(119,386)
Excess revenues over (under) expenditures	(140,395)	(251,318)	(110,923)
Other financing sources (uses):			
Sale of assets	58,400	58,480	80
Issuance of debt	456,000	468,904	12,904
Transfers in	13,985	13,985	-
Transfers (out)	(23,000)	(23,000)	-
Total other financing sources and uses	505,385	518,369	12,984
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	364,990	267,051	(97,939)
Fund balance- beginning of year	20,982	20,982	-
Fund balance- end of year	385,972	288,033	(97,939)

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Equipment Capital Projects Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$ 75,920	75,920	-
Interest	100	89	(11)
Total revenues	76,020	76,009	(11)
Expenditures:			
Capital outlay	406,406	405,933	473
Total expenditures	406,406	405,933	473
Excess (deficiency) of revenues over expenditures	(330,386)	(329,924)	462
Other financing sources (uses):			
Transfers in	330,486	327,200	(3,286)
Total other financing sources (uses)	330,486	327,200	(3,286)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	100	(2,724)	(2,824)
Fund balance- beginning of year	2,094	2,094	-
Fund balance- end of year	\$ 2,194	(630)	(2,824)

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Real Estate Property Asset Capital Projects Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 850	794	(56)
Total revenues	850	794	(56)
Expenditures:			
Capital outlay	125,922	115,922	10,000
Interest	1,412	1,411	1
Total expenditures	127,334	117,333	10,001
Excess (deficiency) of revenues over expenditures	(126,484)	(116,539)	9,945
Other financing sources (uses):			
Sale of assets	140,947	140,948	1
Transfers in	3,200	3,200	-
Total other financing sources (uses)	144,147	144,148	1
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	17,663	27,609	9,946
Fund balance- beginning of year	(17,645)	(17,645)	-
Fund balance- end of year	\$ 18	9,964	9,946

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Fire Protection Capital Projects Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fire protection impact fees	\$ 27,000	29,068	2,068
Interest	500	512	12
Total revenues	27,500	29,580	2,080
Expenditures:			
Principal retirement	142,000	141,972	28
Interest	8,782	8,781	1
Total expenditures	150,782	150,753	29
Excess (deficiency) of revenues over expenditures	(123,282)	(121,173)	2,109
Other financing sources (uses):			
Transfers in	120,000	120,000	-
Total other financing sources (uses)	120,000	120,000	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(3,282)	(1,173)	2,109
Fund balance- beginning of year	17,832	17,832	-
Fund balance- end of year	\$ 14,550	16,659	2,109

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Cemetery Perpetual Care Fund
For the Year Ended June 30, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Sale of burial rights/ raised marker fees	\$ 26,500	27,275	775
Interest on investments	5,000	5,983	983
Total revenues	31,500	33,258	1,758
Expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	31,500	33,258	1,758
Other financing sources (uses):			
Transfers (out)	(5,000)	(5,000)	-
Total other financing sources (uses)	(5,000)	(5,000)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	26,500	28,258	1,758
Fund balance- beginning of year	230,994	230,994	-
Fund balance- end of year	\$ 257,494	259,252	1,758

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Improvement Capital Projects Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Grants	\$ 803,000	-	-	-
Impact Fees	77,400	100,000	111,158	11,158
Contributions	35,500	151,472	76,755	(74,717)
Interest on investments	3,000	3,500	682	(2,818)
Total revenues	918,900	254,972	188,595	(66,377)
Expenditures:				
Capital outlay		1,334,315	1,337,380	(3,065)
Debt Principal	400,000	-	582,810	(582,810)
Interest	15,000	-	7,833	(7,833)
Total expenditures	415,000	1,334,315	1,928,023	(7,833)
Excess (deficiency) of revenues over expenditures	503,900	(1,079,343)	(1,739,428)	(660,085)
Other financing sources (uses):				
Issuance of debt	100,000	671,000	1,268,179	597,179
Transfers in	355,643	282,540	282,540	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	455,643	953,540	1,550,719	597,179
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	959,543	(125,803)	(188,709)	(62,906)
Fund balance- beginning of year as adjusted	305,727	305,727	305,727	-
Fund balance- end of year	\$ 1,265,270	179,924	117,018	(62,906)

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

FARMINGTON CITY CORPORATION
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2005

	<u>2005</u>
Governmental funds capital assets:	
Land	\$ 11,293,481
Buildings	6,451,825
Improvements other than buildings	5,810,443
Machinery and equipment	3,289,298
Infrastructure	<u>21,886,796</u>
	<u>48,731,843</u>
Investment in governmental funds capital assets by source:	
General fund	22,516,189
Capital projects funds	23,763,053
Grants	<u>2,452,601</u>
	<u>\$ 48,731,843</u>

FARMINGTON CITY CORPORATION

Capital Assets Used in the Operation of Governmental Funds

By Source
June 30, 2005

FUNCTION AND ACTIVITY

	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Totals
General Government:						
Administration	\$ 1,903,440	-	36,680	-	-	1,940,120
Government buildings	-	4,068,656	1,082,435	408,381	-	5,559,472
	1,903,440	4,068,656	1,119,115	408,381	-	7,499,592
Public Safety:						
Police Protection	-	243,692	-	549,920	-	793,612
Fire Protection	-	702,141	-	1,059,412	-	1,761,553
	-	945,833	-	1,609,332	-	2,555,165
Highways and Streets	8,433,002	-	1,536,394	1,014,016	21,886,796	32,870,208
Planning and Inspection	-	-	-	26,011	-	26,011
Parks and Recreation	957,039	1,437,336	3,154,934	231,558	-	5,780,867
	\$ 11,293,481	6,451,825	5,810,443	3,289,298	21,886,796	48,731,843

FARMINGTON CITY CORPORATION
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended June 30, 2005

	Governmental Fund Capital Assets 2004	Additions	Deletions	Governmental Funds Capital Assets 2005
<u>FUNCTION AND ACTIVITY</u>				
General Government:				
Administration	\$ 2,134,118	24,139	218,137	1,940,120
Government Buildings	5,249,524	309,948	-	5,559,472
	<u>7,383,642</u>	<u>334,087</u>	<u>218,137</u>	<u>7,499,592</u>
Public Safety				
Police	776,885	60,060	43,333	793,612
Fire	1,675,596	85,957	-	1,761,553
	<u>2,452,481</u>	<u>146,017</u>	<u>43,333</u>	<u>2,555,165</u>
Highways and Streets	<u>31,629,300</u>	<u>1,251,158</u>	<u>10,250</u>	<u>32,870,208</u>
Planning and Inspection	<u>26,011</u>	<u>-</u>	<u>-</u>	<u>26,011</u>
Parks and Recreation	<u>5,696,085</u>	<u>92,682</u>	<u>7,900</u>	<u>5,780,867</u>
Fund balance- end of year	<u>\$47,187,519</u>	<u>1,823,944</u>	<u>279,620</u>	<u>48,731,843</u>

STATISTICAL SECTION

FARMINGTON CITY CORPORATION

Table 1 - General Governmental Expenditures by Function

General Fund

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Community Development</u>	<u>Parks and Cemetery</u>	<u>Totals</u>
1996	\$ 531,510	\$ 724,739	\$ 342,255	\$ 180,682	\$ 250,103	\$ 2,029,289
1997	405,520	883,230	300,347	216,731	288,305	2,094,133
1998	477,603	977,647	371,571	307,712	343,838	2,478,371
1999	450,453	1,061,566	384,273	356,516	302,514	2,555,322
2000	459,198	1,045,020	366,408	364,315	375,600	2,610,540
2001	519,524	1,172,757	402,620	386,159	395,965	2,877,025
2002	589,248	1,180,027	472,497	415,246	437,161	3,094,179
2003	593,260	1,244,559	483,893	425,914	439,130	3,186,756
2004	677,611	1,361,280	492,613	512,563	410,934	3,455,001
2005	721,805	1,460,340	505,222	598,105	468,144	3,753,616

(1) Leisure services special events are now included in the Leisure Services fund.

FARMINGTON CITY CORPORATION

Table 2 - General, Special Revenue and Debt Service Fund Revenue by Source

Last Ten Fiscal Years

Fiscal Year	Taxes	Special Assess- ments	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Forfeitures	Interest		Total Revenue
							and Other	Other	
1996	\$ 2,045,419	\$ 9,118	\$ 122,655	\$ 248,983	\$ 61,950	\$ 231,212	\$ 69,210		\$ 2,788,547
1997	2,118,403	4,841	167,675	288,596	143,915	122,949	246,810		3,093,189
1998	2,186,371	3,435	214,419	449,390	120,269	154,227	390,151		3,518,262
1999	2,347,329	1,480	201,828	436,758	220,990	152,729	291,105		3,652,219
2000	2,616,769	-	250,159	451,930	101,997	185,233	103,239		3,709,327
2001	2,912,530	2,607	210,570	440,089	270,574	198,707	105,855		4,140,932
2002	3,165,251	51,628	302,727	447,162	172,671	223,046	71,761		4,434,246
2003	3,317,534	55,305	302,726	480,551	176,015	214,895	245,520		4,792,546
2004	3,695,881	32,845	502,679	770,488	176,826	258,986	124,965		5,562,670
2005	4,045,347	21,430	550,084	517,716	231,144	242,946	150,912		5,759,579

FARMINGTON CITY CORPORATION

Table 3 - Tax Revenue By Source (1)

Last Ten Fiscal Years						
Fiscal Year	General Property Tax	Debt Service Property Tax	Sales Tax	Energy Use Tax	Franchise Tax	Total Tax Revenue
1996	\$ 503,446	\$ 138,390	\$1,062,544	\$ -	\$ 341,039	\$ 2,045,419
1997	506,051	142,277	1,100,121	-	369,954	2,118,403
1998 (2)	509,266	148,199	1,126,025	156,449	246,432	2,186,371
1999	658,537	160,843	1,119,604	155,719	252,626	2,347,329
2000	805,570	166,315	1,224,412	162,358	258,114	2,616,769
2001	903,948	174,592	1,252,080	224,740	357,170	2,912,530
2002	974,251	183,792	1,375,352	210,330	421,526	3,165,251
2003	1,290,592	195,006	1,179,770	205,074	447,092	3,317,534
2004	1,363,409	371,947	1,283,013	262,635	414,877	3,695,881
2005	1,464,931	380,485	1,342,693	273,371	583,867	4,045,347

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) Energy Use Tax Imposed; Franchise tax rate reduced.

FARMINGTON CITY CORPORATION

Table 4 - Property Tax Levies and Collections

Last Ten Fiscal Years						
Fiscal Year	Total Taxes Levy	Current Tax Collections	Percent of Levy Collection	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy
1995 -96	\$ 517,149	\$ 496,740	96.05 %	\$ 8,248	\$ 504,988	97.65 %
1996 -97	533,925	511,163	95.74	19,709	530,872	99.43
1997 -98	551,397	528,847	95.91	18,830	547,677	99.33
1998 -99	635,082	611,353	96.26	21,243	632,596	99.61
1999 -00	758,827	718,511	94.69	23,126	741,637	97.73
2000 -01	808,376	759,689	93.98	28,387	788,076	97.49
2001 -02	862,384	786,028	91.15	30,813	816,841	94.72
2002 -03	1,154,682	1,073,812	93.00	59,027	1,132,839	98.11
2003 -04	1,277,306	1,211,480	94.85	65,343	1,276,823	99.96
2004 -05	1,343,492	1,280,295	95.30	66,343	1,346,638	100.23

Source: Davis County Treasurer's Office

FARMINGTON CITY CORPORATION

Table 5 - Taxable and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years			
Fiscal Year	Taxable Value (in thousands)	Estimated Actual Value (in thousands)	Ratio of Taxable to Estimated Actual Value
1995 -96	\$ 264,537	\$ 366,800	72.1
1996 -97	316,682	437,574	72.4
1997 -98	362,047	517,764	69.9
1998 -99	402,460	657,526	61.2
1999 -00	429,930	713,510	60.3
2000 -01	463,518	746,934	62.1
2001 -02	504,613	796,627	63.3
2002 -03	534,575	834,032	64.1
2003 -04	541,593	879,036	61.6
2004 -05	574,376	916,830	62.6

1. Personal property taxes on motor vehicles were eliminated and replaced with a "fee-in-lieu."
Taxable values do not include the value of motor vehicles.

Sources: Davis County Auditor's Office
Utah State Tax Commission

FARMINGTON CITY CORPORATION

Table 6 - Property Tax Rates - All Overlapping Governments

Last Ten Fiscal Years

Fiscal Year	Davis County School	Davis County	Weber Basin Water	Mosquito Abatement	Central Davis Sewer	Farmington Pressure		Statewide Assessing	Farmington City	Davis County Library	Total Levy for	
						Farmington Water (1)	Farmington City				Farmington City	Residential
1996	1.0325%	0.3121%	0.0187%	0.0778%	0.0455%	0.0740%	0.0500%	0.2161%	0.0389%		1.8656%	
1997	0.8339%	0.2732%	0.0165%	0.0068%	0.0399%	0.0697%	0.0281%	0.1942%	0.0335%		1.4958%	
1998	0.7642%	0.2588%	0.0154%	0.6600%	0.0322%	0.0621%	0.0260%	0.1686%	0.0321%		1.3660%	
1999	0.5654%	0.2409%	0.0145%	0.0123%	0.0301%	0.0573%	0.2189%	(2)	0.0298%		1.3215%	
2000	0.5553%	0.1605%	0.0139%	0.0120%	0.0298%	0.0561%	0.2068%	(2)	0.0292%		1.2214%	
2001	0.5632%	0.1505%	0.0200%	0.0062%	0.0283%	0.0541%	0.2086%	(2)	0.0435%		1.2488%	
2002	0.5815%	0.1402%	0.0193%	0.0061%	0.0279%	0.0528%	0.2047%	(2)	0.0431%		1.2465%	
2003	0.5785%	0.1469%	0.0193%	0.0061%	0.0276%	0.0524%	0.2006%	(2)	0.0431%		1.2905%	
2004	0.5906%	0.1532%	0.0196%	0.0094%	0.0275%	0.0527%	0.2006%	(2)	0.0434%		1.3413%	
2005	0.5964%	0.1501%	0.0193%	0.0091%	0.0259%	0.0508%	0.1965%	(2)	0.0426%		1.3243%	

(1) Farmington City Corporation has two taxing districts, only one of which is taxed for pressure water.

(2) Includes both state assessment and collection, and statewide school rate.

Source: Davis County Auditor's Office

FARMINGTON CITY CORPORATION

Table 7 - Special Assessment Collections

Last Ten Fiscal Years						
Fiscal Year	Current Assessments Due		Current Assessments Collected		Ratio of Collection to Amount Due	Total Outstanding (Current, Delinquent and Deferred) Assessments
1996	\$	3,792	\$	3,222	0.85	\$ 12,226
1997		3,394		3,294	0.97	6,056
1998		2,167		1,890	0.87	2,427
1999		1,480		1,480	1.00	-
2000		-		-	-	-
2001		-		2,607	-	255,834
2002		40,058		51,628	1.29	204,206
2003		29,832		55,305	1.85	150,791
2004		26,203		32,845	1.25	122,698
2005		25,944		21,430	0.83	100,657

Source: Farmington City Recorder's Office

FARMINGTON CITY CORPORATION

Table 8 - Ratio of Net General Bonded Debt to
Assessed Value and Net General Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year	Estimated Population	Assessed Value (in thousands)	Gross Bonded Debt	Debt		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
				Service Monies Available				
1996	11,300	\$ 266,297	\$ 2,456,000	\$ 6,269	\$	2,449,731	0.0092	216.79
1997	11,500	316,682	2,025,000	14,615		2,010,385	0.0063	174.82
1998	12,000	362,047	1,896,000	19,888		1,876,112	0.0052	156.34
1999	12,500	402,460	1,795,000	11,600		1,783,400	0.0044	142.67
2000	13,000	429,930	1,688,000	6,859		1,681,141	0.0039	129.32
2001	12,081	463,518	1,574,000	10,760		1,563,240	0.0034	129.40
2002	12,500	504,613	1,453,000	116,432		1,336,568	0.0026	106.93
2003	12,500	534,575	3,225,000	162,325		3,062,675	0.0057	245.01
2004	13,000	541,593	3,005,000	185,974		2,819,026	0.0052	216.85
2005	15,480	574,376	2,765,000	57,284		2,707,716	4.7142	2,692,236

FARMINGTON CITY CORPORATION

Table 9 - Computation of Legal Debt Margin

June 30, 2005

Total Actual Value			\$	916,830,000
Debt limit -4% of total actual value			\$	36,673,200
Amount of debt applicable to debt limits				
General obligation bonds	2,765,000			
Special assessment bonds	<u>198,000</u>	2,963,000		
Less:				
Assets in debt service fund				
available for payment of				
principal (G.O. bonds only)		57,284		
Total amount of debt applicable to				
debt limit				<u>3,020,284</u>
Legal debt margin			\$	<u><u>33,652,916</u></u>

FARMINGTON CITY CORPORATION
Table 10 - Computation of Direct and Overlapping Debt
June 30, 2005

<u>Name of Governmental Unit</u>	<u>Net Outstanding Debt (1)</u>	<u>Percent Applicable to Farmington</u>	<u>Amount Applicable to Farmington</u>
State of Utah	\$ 1,514,514,000	0.46%	\$ 6,966,764
Davis County School District	249,823,915	5.60%	13,990,139
Davis County	26,535,000	5.60%	1,485,960
Weber Basin Water Conservancy District	36,603,444	2.11%	772,333
Farmington City	<u>2,765,000</u>	100.00%	<u>2,765,000</u>
Total	\$ 1,830,241,359		\$ 25,980,196

(1) Source: Respective governmental units listed.
Includes general obligation bonded debt only.

FARMINGTON CITY CORPORATION
Table 11 - Ratio of Annual Debt Service Expenditures for
General Bonded Debt to General Expenditures

Last Ten Fiscal Years

Fiscal Year	Principal	Interest and Fees	Total Debt Service	Total General Expendi- tures	Ratio of Debt Service to Total General Expenditures
1996	\$ 122,000	\$ 56,611	\$ 178,611	\$ 2,029,289	8.80%
1997	135,000	137,818	272,818	2,094,133	13.03%
1998	141,000	115,852	256,852	2,478,371	10.36%
1999	113,000	107,439	220,439	2,590,613	8.51%
2000	107,000	100,354	207,354	2,610,541	7.94%
2001	114,000	94,412	208,412	2,877,028	7.24%
2002	121,000	85,635	206,635	3,094,179	6.68%
2003	128,000	77,180	205,180	3,186,756	6.44%
2004	220,000	133,632	353,632	3,455,001	10.24%
2005	240,000	124,213	364,213	3,753,616	9.70%

FARMINGTON CITY CORPORATION

Table 12 - Revenue Bond Coverage

Last Ten Fiscal Years

Fiscal Year	Revenue	Operating Transfers	Expenses Net of Interest	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
1996	\$ 627,635	\$ -	\$ 589,537	\$ 38,098	\$ 95,660	\$ 12,652	\$ 108,312	0.35
1997	653,065	-	645,488	7,577	96,633	35,699	132,332	0.06
1998	640,021	(25,000)	709,815	(94,794)	91,224	7,805	99,029	(0.96)
1999	780,455	14,500	712,114	82,841	89,067	7,246	96,313	0.86
2000	841,210	-	762,860	78,350	89,069	4,792	93,861	0.83
2001	802,403	-	811,540	(9,137)	89,021	4,761	93,782	(0.10)
2002	857,051	(73,100)	904,791	(120,840)	81,000	3,260	84,260	(1.43)
2003	1,160,542	(3,450)	1,063,574	93,518	82,000	2,450	84,450	1.11
2004	1,292,807	(35,000)	1,033,164	224,643	83,000	1,215	84,215	2.67
2005	1,450,644	-	1,169,108	281,536	80,000	800	80,800	3.48

FARMINGTON CITY CORPORATION

Table 13 - Demographic Statistics

United States Census:

<u>Year</u>	<u>Population</u>
1900	968
1910	1,231
1920	1,170
1930	1,339
1940	1,211
1950	1,468
1960	1,951
1970	2,526
1980	4,691
1990	9,028
2000	12,081
2005 (est)	15,480

Age Distribution of Population: (1)

<u>Age</u>	<u>Number</u>	<u>Percent</u>
Under 5	988	7.9%
5-9	1214	9.7%
10-14	1426	11.4%
15-19	1501	12.0%
20-24	913	7.3%
25-34	1464	11.7%
35-44	1939	15.5%
45-54	1538	12.3%
55-59	501	4.0%
60-64	338	2.7%
65-74	414	3.3%
75-84	188	1.5%
85+	76	0.6%

Median Age: 21.8

(1) Estimated based on 2000 United States Census information

FARMINGTON CITY CORPORATION

Table 14 - Property Value and Construction

Last Ten Fiscal Years						
Fiscal Year	Non-Residential Construction		Residential Construction		Estimated Property Value (in thousands)	
	No. of Units (1)	Value	No. of Units (1)	Value		
1996	8	\$ 2,020,488	65	\$ 10,261,680	\$	366,800
1997	15	8,809,055	79	12,044,993		437,574
1998	5	1,847,631	160	23,479,756		517,767
1999	9	1,266,283	119	19,582,413		657,526
2000	12	3,085,330	128	20,601,033		713,510
2001	3	344,000	89	16,635,000		746,934
2002	6	1,069,000	125	19,818,000		796,627
2003	4	1,372,000	154	23,772,000		834,032
2004	8	1,436,000	218	42,173,000		879,036
2005	11	2,880,500	203	44,972,000		916,830

(1) Includes only new construction (remodels, additions, etc. are not included)

Source: Farmington City Inspection Department

FARMINGTON CITY CORPORATION

Table 15 - Principal Taxpayers (1)

June 30, 2005

Taxpayer	Type of Business	Taxable Value	Percentage of Total Taxable Value
Lagoon Investment Corporation	Amusement Part	\$ 20,815,130	3.62%
Smith's Food King Properties	Food & Drug Store	5,596,918	0.97%
Qwest Communication	Commerical	5,021,632	0.87%
Excel Legacy Corporation	Commerical	5,792,650	1.01%
Paul & Eleanor Sade- trustee	Retail	3,819,280	0.66%
Ivy Properties LLC	Commerical	4,440,910	0.77%
Oakridge Golf Country Club	Golf & Country Club	4,096,787	0.71%
Pacificorp	Commerical	3,487,298	0.61%
Cal-Wai Properties LLC		1,613,650	0.28%
Boyer Medical Surgical Associates		2,108,220	0.37%

(1) Includes only new construcion (remodels, additions, etc. are not included)

Source: Farmington City Inspection Department

FARMINGTON CITY CORPORATION

Table 16 - Miscellaneous Statistics

June 30, 2005

Date of Incorporation	November 16, 1892
Form of Government	Council/Mayor w/Manager by ordinance
Population	(2000 census) 12,081
Area	7.11 square miles
Miles of Streets	722 Miles
Number of Street Lights	515
Fire Protection:	
Number of Stations	1
Number of Full-Time Firemen	1
Number of Part-Time Firemen	30
Police Protection:	
Number of Stations	1
Number of Policeman and Officers	11
Education:	
Number of High Schools	0
Number of Junior High Schools	1
Number of Elementary Schools	3
Number of Special Educaiton Schools	0
Number of Administrative Personnel:	
School District Offices	269
Schools	69
Number of Teachers	141
Number of Students	3,324
Municipal Water Department:	
Number of Customers	3,923
Average Daily Consumption:	
Commercial and Residential	2.129 million Gallions
Miles of Water Mains	75 miles
Sewers:	
Sanitary Sewers	68 miles
Storm Sewers	30 miles
Building Permits Issued	373
Predominant Religion:	LDS (Mormon)
Percent of Population	87%
Number of Congregations	29
Number of Chapels	12
Recreation and Culture:	
Number of Parks	10
Number of Boweries	6
Number of Tennis Courts	6
Number of Soccer Fields	6
Number of Baseball Diamonds	3
Number of Youth in Recreation Programs	3,400
Number of Swimming Pools	1
Number of Libraries	1
Number of Volumes in Library	70,766
Number of Golf Courses	1
Number of Amusement Parks	1
Employees:	
Full-time	43
Part-time (includes 42 seasonal pool employees)	162

OTHER REPORTS

Ulrich & Associates, PC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor & Members of the City Council
Farmington, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation, as of and for the year ended June 30, 2005, which collectively comprise Farmington City Corporation's basic financial statements and have issued our report thereon dated November 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

As part of obtaining reasonable assurance about whether Farmington City Corporation's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Farmington City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Farmington City Corporation, in a separate letter dated November 9, 2005.

This report is intended for the information of the city council, management and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Ulrich & Associates, P.C.

November 9, 2005

Members of Utah Association of CPAs | American Institute of CPAs

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Ulrich & Associates, PC

Certified Public Accountants

STATE LEGAL COMPLIANCE REPORT

Honorable Mayor and Members of the City Council

Farmington City Corporation

Farmington, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation for the year ended June 30, 2005, and have issued our report thereon dated November 9, 2005. As part of our audit, we have audited Farmington City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major assistance programs from the State of Utah:

C Road Funds (Department of Transportation)

Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt

Cash Management

Purchasing Requirements

Budgetary Compliance

Truth in Taxation & Property

Tax Limitations

Liquor Law Enforcement

B and C Roads Funds

Other General Compliance Issues

Uniform Building Code Standards

Impact Fees and Other Development Fees

The management of Farmington City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

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In our opinion, Farmington City Corporation complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Ulrich & Associates, P.C.

November 9, 2005

FARMINGTON CITY CORPORATION
SCHEDULE OF FINDINGS
STATE LEGAL COMPLIANCE

FINDINGS

1. **Other General Compliance - Fund Balance Deficit**

Fund balance deficit occurred in the Capital Equipment Capital Projects Fund in the amount of \$630.

Management Response

The deficit will be funded by future revenues or a transfer from the general fund.

2. **Other General Compliance - Maximum Fund Balance**

The General Fund exceeds the maximum fund balance allowed by state law by \$297,699.

Management Response

The excess fund balance will be budgeted into the coming year for capital projects and

3. **Budgetary Compliance**

Actual expenditures exceeded budgeted amounts in the following funds:

General Fund -

Parks and cemetery	\$	1,349
Capital Equipment Fund		10,898
Park Improvement Fund		119,386

Management Response

Management will more closely monitor the expenditures in the coming year.
